

السنة الثالثة

Weekend

FINANCIAL TIMES

Weekend FT
The Peru siege -
an insider's story



The final chapter of
the FT's thriller



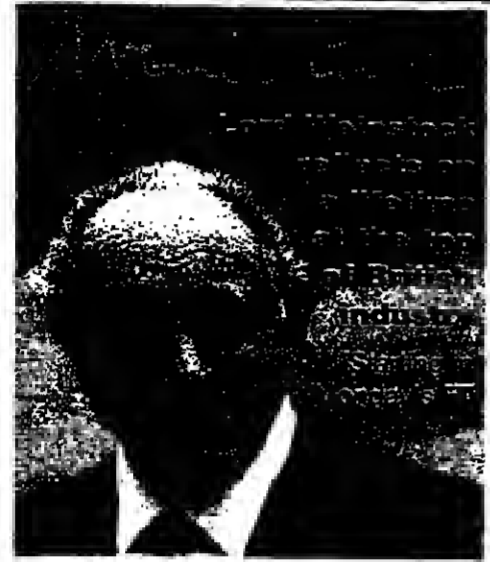
Sport: 1996
magic moments



World Business Newspaper <http://www.ft.com> WEEKEND DECEMBER 28/DECEMBER 29 1996

Yen at 3 1/2-year low against \$

Pound hits highest level since being ousted from the ERM



Stock write-down by Sega prompts profits warning

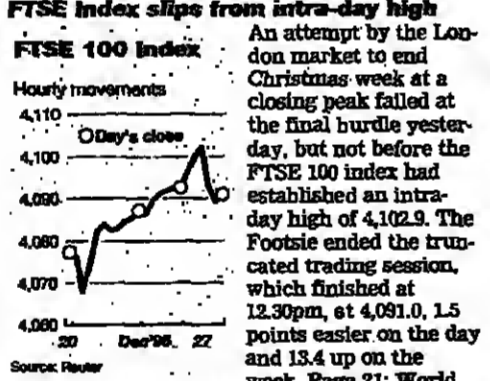
Japanese electronic games group Sega Enterprises cut its forecast of annual profits to ¥11bn (\$86.5m) from ¥27bn after announcing a ¥30bn extraordinary loss on its US business and massive stock write-downs of 16-bit game consoles. These have been hit by the popularity of 32-bit and 64-bit systems. The Tokyo Stock Exchange earlier suspended Sega's shares after they fell by ¥50 to ¥4,050. Page 24

Clashes in Belgrade over poll results: Serbian police attacked anti-government protesters in Belgrade after international observers ruled that the opposition had been robbed of victory in recent elections. Page 2

Guatemala's guerrilla war ending: The Guatemalan government is due tomorrow to sign a peace treaty with leftwing guerrilla leaders, ending the last and longest-running of Central America's ideological conflicts. Page 3

Creditanstalt sale delayed: Austria's finance ministry delayed the sale of Creditanstalt, the country's second biggest bank, and asked bidders to improve their offers. Page 2

Call to widen South Korean strikes: South Korea's main trade union group called for a general strike to last until Wednesday as industrial action intensified against the country's new labour laws. Page 24



stocks, Page 19; Markets, Weekend FT Page XX

Costain's \$52m disposal plan: Beleaguered construction group Costain is to sell its remaining US coal and London property interests for \$52m (\$36.8m). Page 4

Nikko bails out affiliates: Japanese stockbroker Nikko Securities is to inject ¥147.5bn (\$1.28bn) into three affiliates to enable them to write off property-related loans. Page 6

Cricket: Zimbabwe were 93 for two at the end of a rain-shortened second day in the second and final test against England in Harare. Earlier England had been bowled out for 156. The first match was drawn.

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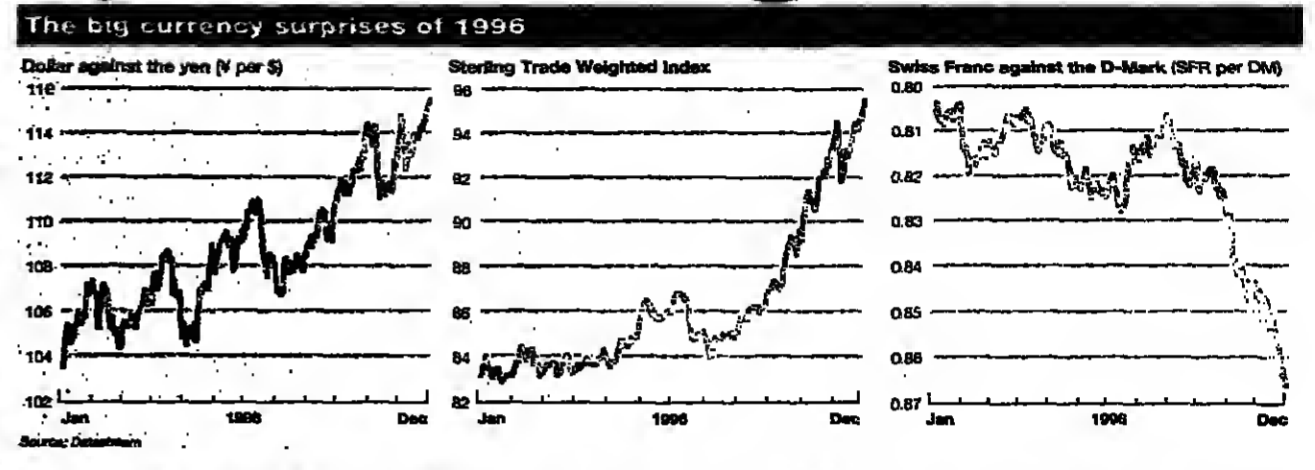
The big currency surprises of 1996

Dollar against the yen (¥ per \$)
The yen closed at ¥115.4 against the dollar in London, ¥0.5 down on the day and ¥1.5 below its close on Tuesday.

Sterling Trade Weighted Index
The pound, driven upwards by expectations that UK interest rates would rise next month, gained 2.8 pence against the D-Mark and 1.9 cents against the dollar to close in London at DM2.631 and \$1.692, respectively.

Swiss Franc against the D-Mark (SFR per DM)
The Swiss franc fell from SFR0.865 to the D-Mark to SFR0.867, its lowest level against the German currency since November 1993, on expectations that the Swiss National Bank would maintain its loose monetary policy.

The moves completed an unusual year in the foreign exchange markets. The yen



and the Swiss franc, currencies that have traditionally tended to appreciate, have fallen, while sterling, whose value has traditionally tended to decline, has appreciated 13 per cent since early August. The yen has dropped ¥122 against the dollar since the start of the year, and the Swiss franc has lost almost 10 per cent of its value against the D-Mark. By contrast, the pound has gained 40.9 pence against the D-Mark and 14

investors sought the high yields available on pound deposits. The UK is at a stronger stage of the economic cycle than most other leading countries, its interest rates are higher than most of its rivals, and expected to rise sooner. Most UK economists predict that Mr Kenneth Clarke, the chancellor, will raise base rates from their present level of 6 per cent after his January 15 monetary meeting with Mr

Eddie George, the governor of the Bank of England. Speculation that UK rates would rise was heightened on Monday by the release of the minutes of the October 30 monetary meeting. These showed that Mr George thought the 0.25 percentage point rise agreed then might be insufficient to bring down inflation to the government's target of 2.5 per cent.

Japan budget splits ministers

By William Dawkins in Tokyo

A fierce debate broke out in the Japanese government yesterday over the wisdom of tightening fiscal policy for the first time this decade, as proposed in the recently adopted 1997 budget.

Mr Shinji Sato, the minister of international trade and industry, yesterday admitted: "I am worried about the economy after April", when a temporary reduction in income tax ends and sales tax will rise. Personal tax rises will cut disposable income by almost 2 per cent, private sector economists estimate, thus wiping out the current feeble growth rate in private consumption, which accounts for 60 per cent

of the Japanese economy. Mr Hiroshi Mitsuoka, the finance minister, dismissed such criticism as one-sided and warned that government debt, already among the highest in the industrialised world, would continue to rise unless fiscal policy was tightened. "Reckless issuance of deficit-covering bonds will lead to vicious inflation", he said.

The Miti minister's concerns are shared by the capital markets. Share prices fell briefly to a one-year low after the budget was announced last week. The Nikkei 225 index yesterday recovered by 77.48 points to close at 19,369.04, 1.6 per



South Korean workers shout anti-government slogans during a 12,000-strong rally in Seoul yesterday as a general strike was called in protest against new labour laws. Report, Page 24

Lebed calls for creation of political third force

By John Thornhill in Moscow

Mr Alexander Lebed, the Russian nationalist general, called yesterday for the creation of a third force in Russian politics to counter both old-style communists and the new "so-called democratic elite".

The combative former paratroop general promised to forge a Russian People's Republican Party to give ordinary Russians a political voice. He was speaking to supporters at a congress of the nationalist Home and Motherland movement, which he is

Two vie for superheroes

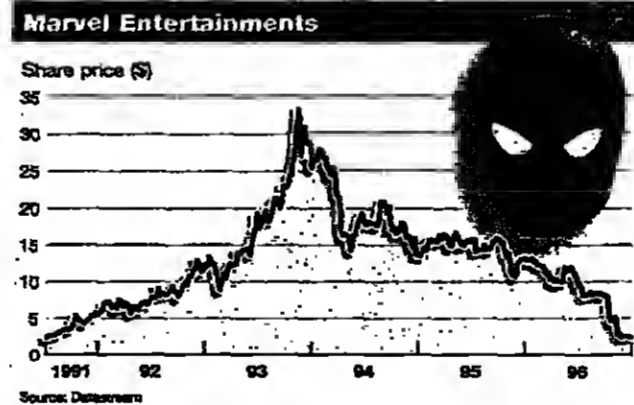
By Richard Waters in New York

Marvel Entertainment, one of the most illustrious names in the world of comic books, was forced into bankruptcy yesterday as a stand-off between two heavyweight US financiers turned increasingly ugly.

The New York company, whose cast of characters includes Spiderman and the Incredible Hulk, has for several years suffered in the face of falling comic books sales and dwindling cashflow.

Now, though, it has to contend with a struggle between the cigar-chomping financier Mr Ronald Perelman, who controls 80 per cent of the company's stock, and Mr Carl Icahn, a prominent corporate raider, who has acquired 25 per cent of Marvel's bonds.

Caught between the manoeuvres of these 1980s-vintage financiers, Marvel has been unable to complete a financial restructuring and has run out of cash, forcing it to seek protection from its creditors yesterday under Chapter 11 of the US bankruptcy code.



STOCK MARKET INDICES		
FTSE 100	4,091.0	(-1.5)
Yield	3.88	
FTSE Euroshare 100	1,888.25	(+7.25)
FTSE All-Share	2,001.16	(+0.96)
Nikkei	19,369.04	(+77.48)
New York S&P 500	113.54	(+1.54)
Dow Jones Ind Ave	6,898.52	(+1.54)
S&P Composite	757.46	(+1.54)

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Last and longest guerrilla war ends

By Johanna Tuckman in Guatemala City

The Guatemalan government and leftwing guerrilla leaders will tomorrow sign a peace treaty ending the last and longest-running of Central America's ideological conflicts.

For the veteran rebels, signing the treaty means accepting that 36 years of armed conflict, in which 140,000 died, have won them little. For the generals, it means recognising the staying power of the URNG guerrillas and the force of international pressure for democracy and demilitarisation.

The treaty unites 10 partial peace accords negotiated and signed over three years. The commitments made range from respecting human rights to raising government tax revenues.

With a paper peace sealed, a diplomatic offensive in search of the cash needed to implement the accords will culminate in Brussels on January 22 at a meeting of potential funders arranged by the Inter-American Development Bank.

Mr Willy Zapata, central bank president, is confident that Guatemala's historically low external debt will encourage the international

community to look favourably on assisting the peace process.

Raising tax revenues is one of the few economic commitments contained in peace accords dominated by social and political priorities. The tax take is expected to reach barely 8 per cent of gross domestic product this year, dismally below the continental average of more than 20 per cent.

The accords leave production to the private sector and dovetail with the priorities of the pro-business modernising administration of President Alvaro Arzú.

Increased investment in health, education and community development in the poorest areas mingles with projects aimed at strengthening and decentralising civilian government, professionalising the police and establishing a functional judicial system.

For many the attempt to end systematic discrimination against the Mayan Indian majority will be the most difficult to achieve, even trickier than a demilitarisation agreement accepted by military moderates.

The URNG's failure to negotiate significant reform of Guatemala's skewed land distribution, or any other

profound change in the balance of economic power, has deeply disappointed some on the left. But the guerrillas' military weakness has instilled a realism that encourages frustrated idealists to embrace the accords as they stand.

"Political and institutional changes will come before socio-economic improvements are felt by the majority," said URNG commander Pablo Monsanto, who joined the rebels when he was 15.

Mr Hugo Stuart, a right-wing economist, said: "If I were a guerrilla, I would think: 36 years for this!" The softness of the agreements had calmed all but the most recalcitrant elements of the local private sector, he added.

This year, the local centre-right think tank, ASIES, estimates GDP growth of less than 2.5 per cent. Mr Pablo Martini, ASIES economist, is only cautiously optimistic about the much-trumpeted prospects for post-war private investment.

"The end of the conflict will ease the climate of instability it created, but the war has not directly obstructed economic activity since the early 1980s, and peace is just one of the elements that investors take into account," he says.



A Catholic church destroyed by Moslem rioters in Tasikmalaya. Chinese-owned shops were also targeted

Suharto plea for calm after ethnic riot

Indonesia's President Suharto yesterday appealed for tolerance after riots in a West Java town, where Moslem youths set buildings and temples were burned by Moslems near Surabaya in East Java, while Jakarta suffered its worst riots to date since the 1970s.

Two people - one an ethnic Chinese woman found in a burnt-out shop - died in the latest riot, apparently touched off by a report that police had beaten teachers from an Islamic school. Local news reports said a teacher had disciplined the son of a policeman, who summoned them for questioning. Car showrooms, banks and stores owned by ethnic

Chinese, as well as Christian churches, were the main targets. The Indonesian Legal Aid Institute said 13 churches and seven schools had been burnt. President Suharto said the disturbances this year should strengthen the resolve of religious people "to maintain and strengthen the nation's unity and cohesion".

Other promising developments included a record grain harvest for the second year in a row and "impressive" increases in the production of non-grain foodstuffs such as meat, poultry,

Durable goods orders fall in US

By Nancy Dunne in Washington

Weaker demand for computer parts and other electronic equipment produced an unexpected 1.6 per cent drop in US durable goods orders in November, the US commerce department said yesterday.

The news, suggesting a moderating economy, initially sent prices up on 30-year Treasury bonds with yields slipping from 6.58 per cent late on Thursday to 6.63 per cent in early trading. Analysts had expected the figures - considered an important measure of the manufacturing sector - to show a 0.5 per cent rise.

The \$2.9bn fall in new orders to \$17.8bn is the first decline since August. New orders are still 6 per cent up on November 1995.

Mr Jonathan Basile of HSBC Group, the international banking and financial services company, said the fall, while unexpected was "not really a big deal". The 9 per cent drop in electrical equipment orders accounted for the entire decline, but it could be seen as partly reversing a 17 per cent rise in October.

"The US manufacturing sector will continue to grow," said Mr Basile. However, the recent rise in the dollar could hurt durable goods exports next year.

China heads for fast but not so furious growth

By Tony Walker in Beijing

China's economic growth is likely to stay at about 10 per cent in 1997 while inflation bovers around this year's level of 6.5 per cent, according to western and Chinese economists.

Mr Fan Gang, director of the National Economic Research Institute of the China Reform Foundation, said the government would strive to preserve "stable economic conditions" next year in line with its aim of smoothing China's "boom and bust" economic cycles.

But Mr Fan also expected the authorities to allow a continued easing of credit restrictions in order to stimulate economic growth, which had shown signs of flagging in the first half of this year.

Both western and Chinese economists gave the government high marks for its management of the economy in 1996, especially its success in more than halving inflation from last year's 14.8 per cent.

Mr John Anderson, deputy chief representative of the International Monetary

Fund, said 1996 had been "an extremely good year" for China in which it had exceeded expectations in meeting economic targets.

This success had been reflected in the stability of the exchange rate, the build-up of foreign exchange reserves, an export performance that was stronger than expected, and continuing strong growth in savings and investment.

China had also pressed ahead with financial sector reforms, including the introduction of limited open market operations and currency

convertibility on the current account from December 1.

Mr Anderson said the IMF did not view risks for China's economy in the next 12 months as "overly large", but a possible "downside" was the continued poor performance of the state sector, which would reduce growth.

Slower growth would increase pressure on the government to take further steps to stimulate the economy, risking inflation. The IMF saw potential dangers in the fact that China is "moving back into a growth cycle".

Real estate investment, for example, was strengthening after a downturn in 1995-96. In China, real estate has been a barometer of boom and bust cycles.

Mr Pieter Bottler, chief representative of the World Bank, expects greater emphasis in the future on productivity growth as investment slows and China's high domestic savings rates come down.

The private sector would also be required to play a greater role in financing infrastructure to overcome bottlenecks in China's economy, such as inadequate transport and a weak energy sector.

Mr Bottler praised China's financial sector reforms, which had meant that "for the first time" since the reform process began in the late 1970s banks were beginning to behave like commercial institutions and not government fiscal agents.

Other promising developments included a record grain harvest for the second year in a row and "impressive" increases in the production of non-grain foodstuffs such as meat, poultry,

fruit and vegetables. China had also become a "very significant net food exporter". Mr Fan of the National Economic Research Institute said a continuing build-up of inventories was casting a shadow over prospects for 1997, but stockpiles would also play a role in keeping inflation low.

The problem of bulging inventories was most acute in the automotive, housing and consumer products areas, such as TV. Economists estimate that the build-up accounted for about 1.5-2 per cent of GDP growth.

Meanwhile, in a sign of continued strength in employment, the labour department reported that new claims for jobless benefits fell by 15,000 last week to 335,000. Analysts had expected a 5,000 decline.

NEWS: UK

German group plans cheaper Internet lines

By Alan Cane

Deutsche Telekom, Germany's privatised national telecommunications operator, may soon offer Britain's Internet users significantly cheaper "travel" on the information superhighway.

Europe's biggest telecoms operator is considering offering the high-speed system known as Integrated Services Digital Network at about £70 (\$117) a connection, compared with the £199 to £260 typically charged by British Telecom.

ISDN lines are designed to facilitate transmission of data at much

higher speeds than is possible over conventional telephony lines. Among the services that ISDN can offer are high-quality Internet access and voice telephony, audio and video conferencing, electronic data interchange and document image processing.

Deutsche Telekom is the world's biggest operator of ISDN facilities with more than 1.2m lines installed in Germany. With the opening of its home market to full competition in 1998, it is seeking opportunities abroad to sustain and develop revenues.

While ISDN lines are used in the UK mainly by businesses, the fast-

est growing segment of the market is the "ISDN2" service, aimed at small to medium-sized businesses, branches of bigger organisations and residential users. Lower cost connections would be particularly welcome to Internet subscribers, of whom there are now 635,000 in the UK. Lower charges could have a big effect in expanding the Internet market.

BT is believed to have installed about 1m ISDN connections - three out of four of them higher capacity lines designed for bigger businesses. It estimates that one in four of its new business connections is an ISDN line and that the

ISDN business is growing at 100 per cent a year.

Deutsche Telekom heavily subsidises its ISDN connections in Germany. BT claims that £400 is the real cost of connection.

This year BT introduced a three-tier ISDN pricing strategy to make connection less of a burden for smaller companies. BT adds that while Deutsche Telekom subsidises connections, its call charges are much higher - making BT, in many cases, a more economical option.

Deutsche Telekom said this week that no decision had been made that it had no licence to offer ISDN

in the UK and that introducing such a service would mean investment on a scale that could be inconsistent with the group's need to reduce its still considerable debt.

The group would be unlikely to encounter difficulties in securing a full operator's licence in the UK, because it is the most open of the world's big telecoms markets. Mercury Communications and Colt already offer ISDN services and a number of cable television operators, including Nyxnet Cable-Comms, Diamond Cable and TeleWest, either offer or are planning to offer basic ISDN services at prices below BT's.

Minister claims EU talks on hold until election

By George Parker, Political Correspondent

Serious negotiations on the future of the European Union have been put on hold until after the general election, Mr Malcolm Rifkind, the foreign secretary, claimed yesterday.

Mr Rifkind said other member states were delaying detailed talks on a successor to the Maastricht treaty in the hope that the opposition Labour party would win the general election.

His comments were seized on by Mr Robin Cook, Labour's foreign affairs spokesman, who said Mr Rifkind had admitted the ruling Conservatives were unable to work with the UK's European partners.

"He has shown why the Conservatives must not be re-elected," Mr Cook said. "By his own admission, the [Conservatives] cannot get an agreement in Europe."

Mr Rifkind, speaking on the BBC's Today radio programme, claimed a Labour government would sign up to further EU integration at the intergovernmental conference, while the Conservatives remained strongly opposed.

on the issues where there is a difference between ourselves and the Labour party," he said. "Obviously what other European governments are waiting to see is, if there was a change of government in this country, then some of the demands from Brussels would simply fall into their lap. They would not need to negotiate."

"So obviously they will wait to see the outcome of the general election." European leaders decided at the Dublin summit this month to defer decisions on more controversial aspects of the new treaty - dubbed Maastricht II - until 1997.

Mr Cook denied Labour would surrender British interests in IGC negotiations. The IGC could be concluded by the Amsterdam summit next June, which takes place at least one month after the latest possible date for the general election, but many believe negotiations could drag on until the autumn.

Meanwhile, Mr Rifkind accepted there remained a "tremendous" political will, particularly in Germany and France, to achieve monetary union but stressed it still depended on the economic convergence criteria being met.

Bid advisers told to be more open

The Takeover Panel yesterday called for more transparency and fuller disclosure of advisers' interests after rebuking investment bank Barclays de Zoete Wedd for withholding information about fees earned defending Northern Electric against a \$782m hostile bid from CalEnergy of the US.

The UK's non-statutory takeover regulator, which has launched an investigation into BZW's fee arrangements with Northern, is expected to recommend a system of "accelerated disclosure" surrounding fees and share purchases made during contested takeovers.

The move was prompted by concerns that BZW failed to inform the panel, while discussing share purchases in the regional electricity company, that it stood to receive a £250,000 discretionary performance-related fee from the bid.

CalEnergy, the US power group, subsequently won an extension to the bid timetable and yesterday declared its 650p-a-share offer unconditional.

Mr Alistair Defriez, director-general of the Takeover Panel, said: "We are sending out a message to the City that when advisers want to clear a course of action with the panel that they must err on the side of greater disclosure."



Alistair Defriez sending out a message to the City

ban on financial advisers buying shares in target companies.

"If we ban such share purchases, it could be driven underground. There is a risk that it would simply be done by others with an association with the target company, such as suppliers or customers who would then expect a future reward," said Mr Defriez.

The panel, however, has been criticised by some corporate financiers for not stamping out the controversial practice.

The managing director of corporate finance at one London investment bank said: "I don't think it is right that advisers should buy shares in companies with the specific aim of affecting the outcome of a bid. That is up to the existing shareholders."

Mr Defriez is likely to assuage such complaints by reminding advisers when such share purchases are

permissible under the takeover code.

"Our concern in the context of the Northern-CalEnergy bid is that the purchases should be at arm's length without any inducement or financial incentive from the target company," he said.

BZW has maintained that payment of its £250,000 discretionary fee - which the panel has ordered to be withheld - was not linked to its acquisition of Northern shares last week.

Mr Defriez said that claim would be investigated in an inquiry to be completed by the end of January.

"Our main sanction is criticism. But if there is evidence that the conduct of any of the parties fell short of what would normally be expected, then there are other regulators which might wish to take it further."

He hinted that the matter could be referred to the

Securities and Investments Board, the UK financial watchdog, if serious shortcomings were discovered.

Over the past week, Mr Defriez has received a procession of advisers claiming, in the words of a spoof takeover code hanging outside his office, that "everything done or said by the other side is tactics, whereas anything done or said by your side is in the interests of shareholders."

He shrugged off criticism of the way this battle for Northern Electric was handled, insisting that the panel's performance during the Northern dénouement had underlined the strengths in the existing regulatory system.

He maintained that no other City body could have reacted with such speed to the rapid-fire complaints and appeals by Northern and CalEnergy.

Mr Defriez, who is campaigning against European Commission proposals to harmonise takeover rules, said that if statutory regulation had been in force, Northern and CalEnergy would be hogged down in the law courts.

"We have an open and permissive system of takeover regulation. I don't want to put that in danger," he said. "It's been a very testing week but has it shown we need to dispose of the panel? Absolutely not."

Tim Burt
Plea by Northern, Page 4

UK NEWS DIGEST

Schools suffer book shortages

The exam pass rate may be rising, but standards in more than 5,000 primary and secondary schools across England have been "adversely affected" by book or equipment shortages, according to Mr Chris Woodhead, the chief inspector of schools. Figures produced by Ofsted, the government's education watchdog, show that in 1994-1995, the latest year for which statistics are available, 13 per cent of primary schools suffered from a shortage of books, 10 per cent from a shortage of equipment, and 6 per cent from a shortage of both.

For secondary schools, the figures were worse, with 23 per cent having a book shortage, 13 per cent having an equipment shortage, and 8 per cent having a shortage of both. The figures, revealed in a letter to Mr David Blunkett, the opposition Labour party's education spokesman, suggested that the shortage of books and equipment "had adversely affected the standards of lessons in 1993-1994 and 1994-1995". Mr Woodhead said. Extrapolating from the Ofsted figures, the Labour party has calculated that a total of 5,567 schools faced book and equipment shortages in 1994-1995. Simon Targett

HOUSE PRICES

Rise of 7% forecast for next year

House prices will rise on average by 7 per cent next year, well ahead of predicted general inflation, and the number of houses sold is expected to rise even faster, according to some of the biggest mortgage lenders. End of year forecasts - from the Halifax and Nationwide home loans groups and the Abbey National bank - should provide cheer for the government as it strives to boost the "feel-good factor" as the general election approaches.

Nationwide said prices since December last year had already risen on average by 8.5 per cent. Halifax, when it publishes its forecasts next Tuesday, is expected to predict a 7 per cent to 8 per cent average rise in prices next year. A separate survey of about 1,000 homeowners published today by Barclays Mortgages emphasises the extent of returning housing market confidence. Some 51 per cent of those questioned believed the value of their home would increase in the next 12 months, compared with 36 per cent at the beginning of this year. Andrew Taylor

TAXATION

144 days' work needed to pay bill

The average Briton will have to work every day from next year's day until May 24 next year in order to satisfy the taxman - one more day than last year. The annual study published today by the Adam Smith Institute, the free-market think-tank, shows the average UK employee will earn enough to pay his or her taxes within 144 days in 1997. This is about three weeks later than in 1995, when all tax bills were paid before the end of April. But it is earlier than in 1988, when taxes could not be paid until June 1. In spite of the latest increase, the UK still has one of the lightest tax burdens in Europe.

The institute calculated that of the 15 members of the European Union, only the Spanish and Portuguese will be able to pay their tax bills before the British. The average German employee will earn enough to pay his or her taxes within 154 days. But the UK compares less well with countries outside the EU, such as the US and Japan. The average Japanese worker will earn enough to pay his or her taxes by April 21. Graham Bowley

COMPANIES AND FINANCE: UK AND IRELAND

Costain £52m disposal plan wins approval

By Andrew Taylor, Construction Correspondent

Shareholders of the beleaguered Costain construction group yesterday approved plans to sell the company's remaining US coal and London property interests for £52m.

Only a dozen shareholders, most of them protesting against the controversial Newbury bypass which Costain is building, braved the cold to attend the extraordinary meeting at the London Arena on the Isle of Dogs.

Although 400 seats were arranged on the floor of the sports hall shareholders were outnumbered by the Costain board members and security guards. They complained that the venue and timing of the meeting had been chosen to limit protests.

The sale of the US coal business and Costain's one-third share in Spitalfields, one of central London's last large development sites, was approved on a sparse show of hands.

Rencol, a privately owned US mining corporation, has agreed to pay an estimated \$34m (£20.7m) for the coal operations.

It would also assume

responsibility for \$13m of capitalised leasing obligations.

Metacorp of Malaysia, of which Intra, Costain's largest shareholder owns 23 per cent, has agreed to pay £23.4m for the Spitalfields site which is jointly owned by BICC, the engineering group, Costain and SPP Real Estate (UK).

Intra bought a 40 per cent stake in Costain this summer as part of a £73.5m rescue share issue.

Sir Christopher Benson, Costain's chairman, was criticised yesterday by shareholders for conducting a "fire sale". He said the company would continue to look for other buyers for its Spitalfields stake to see if it could obtain a higher price.

The London International Financial Futures and Options Exchange (LIFFE) last week announced that it had agreed to enter into exclusive negotiations for the acquisition and development of the Spitalfields site which is jointly owned by BICC, the engineering group, Costain and SPP Real Estate (UK).

The shareholders' greatest anger was directed at Sir Christopher and Mr Alan Lovell, Costain's chief executive, who earlier this month announced they were resigning from the group.



Gathering winter fuel: a protesting Costain shareholder braves the elements

One of the few shareholders to disclaim any involvement with the Newbury protesters demanded that they receive no compensation.

He said: "You have ruined a brilliant company. My shares are worthless. Your salaries are more."

Sir Christopher replied that he did not receive no additional payment when he left the company on December 31. Remuneration for Mr Lovell would be based on his legal entitlement. Mr Lovell

is on a two-year contract worth £180,000 a year. He will leave as soon as a successor is in place. Sir Christopher is to be replaced as chairman by Dr Asman Firdaus Shafiq, vice-chairman of Intra.

Dr Shafiq was introduced to yesterday's meeting but did not speak. An opportunity to get to know protesting shareholders better may arise on January 6 when Costain holds a second extraordinary meeting to discuss

a technical breach of the UK Companies Act. Trading in shares in the group, which are currently suspended at 46p pending approval of the disposal, is then expected to resume.

The need for a meeting arose after net assets of the parent group of Costain fell below 50 per cent of its called up share capital.

Friends of The Earth is organising a Newbury bypass protest at the January 6 meeting.

Laporte declares intent to expand

By Michael Lindemann

Mr Jim Leng, chief executive of the UK speciality chemicals company Laporte, yesterday said the group could spend more than £200m on acquisitions after it sold its European adhesives business for £110m.

"We will be in a more expansive mood next year, more on the front foot," Mr Leng said. "Not only will we feel more expansive but we will have the resources to be more expansive."

Laporte's sale of the European adhesives business to Elf Atochem, a subsidiary of France's Elf Aquitaine oil group, as reported in yesterday's Financial Times, left the company free to expand its core speciality chemicals and performance materials activities, he said.

Laporte's appetite for acquisitions will be increased because the adhesives sale eliminated the company's net debt of about £100m, down from £180m earlier this year.

Mr Leng said strong interest over would enable Laporte to "go north" of its past £180m debt level when making acquisitions.

The European adhesives business had been sold, Mr Leng said, "because with operating margins of between 8 and 9 per cent, it looked weak compared with Laporte's other divisions. Overall, Mr Leng said Laporte had an operating margin of 11.9 per cent.

Laporte also said it had received "some interesting offers" for its US adhesives business. Lazard Frères, the group's advisers, were looking at options. However, the coatings operations - where Laporte is one of the top three companies worldwide - is not for sale.

The sale of Laporte's European adhesives business will result in a goodwill write-off of about £50m and a net exceptional gain of about £28m.

The shares closed up 11p at 667p.

Subscribers to TeleWest surge

TeleWest Communications, the second largest cable company in the UK, has had a pre-Christmas surge in customers signing up for television and telecommunications services. In November, the number of new subscribers topped 25,000 in a month for the first time and it is believed that December has also reached 25,000.

The final quarter of the year is always the strongest period for signing up subscribers, but this looks like being the company's best performance so far.

The key factor in the improvement appears to have been the new combined telephone and television packages which were being offered in all TeleWest franchises by the final quarter of the year. In November Mr Stephen Davidson, TeleWest's acting chief executive, said that trials of the new subscription package, Teleplus, had resulted in fewer disconnections, more customer satisfaction, and higher revenues per customer.

There also have been signs of improved performance at other cable companies, although the official figures for the final quarter of 1996 will not be published for some months.

Johnson Fry disposals

Johnson Fry is selling its housing management and insurance broking businesses for £9.5m to a newly-formed company majority-owned by management, principally Mr Owen Insip.

Mr Insip will leave the Johnson Fry board without compensation for loss of office. The 2.25m ordinary shares owned by him and his associates will be acquired by an employee share ownership scheme funded by the company at a price of £2.4m, representing 107p per share.

Savills Finance Holdings, an arm of Savills, the chartered surveyor, is participating in the buy-out. Savills will pay £1.4m in return for a 25 per cent stake in the ordinary share capital and £1.4m of preference capital in a new holding company which will buy Johnson Fry Housing and Johnson Fry Insurance Services.

Wellington makes \$8.5m buy

Wellington Holdings, which makes polymer-based products, is buying Dynamic Seals of the US for \$8.5m (\$5.1m cash). Wellington said the Michigan-based maker of fluid power system components would complement its existing operations in the US and Canada. It offered an excellent fit of product range with minimum customer overlap.

NSM sells Cleve Hill unit

NSM, the highly geared coalmining group, announced on December 23 the conditional sale of its Cleve Hill plant to subsidiary Serial Circuit, in a deal which would cut NSM's debt by about £5m.

Earlier in the day, shares in NSM, which said it had been in discussions with its bankers "regarding both its immediate and longer-term working capital requirements", were suspended at 9p at its own request pending clarification of its financial position. It said that "a number of other significant disposals are in train". The group had gearing of 112 per cent at its March year-end.

NSM said it would receive net payments of £1.6m cash, while Serial Circuit would assume debt obligations of £3.4m. Cleve Hill had a pre-tax profit of £540,000 on turnover of £3.4m for the year to March. On March 31, the net assets of Cleve Hill were £3.97m.

Last month, NSM shares almost halved to 28p on the day it warned that it expected to make a loss in the half-year to September 30.

Arthur Shaw calls EGM

Arthur Shaw, the building materials manufacturer, has called an extraordinary meeting in accordance with Companies Act rules which require a meeting if net assets are half or less of called-up share capital.

The company's shares have been suspended at 9p since October 1, pending publication of the report and accounts. The board has called the EGM for February 19, by which time it also hopes to have the accounts for the year to March 31 1996 ready.

Superframe chief's share deal

Superframe, which designs and makes acrylic products, announced yesterday that Mr Andy Gilbert, chief executive, sold 445,000 shares in the company to Sagittas AG on December 20 at 10p each. The sale reduced his holding to 1.96m shares, or 24.9 per cent of the issued share capital.

Sagittas increased its holding to 2m, representing 25.7 per cent. Mr Gilbert has been granted an option by Sagittas to buy up to 400,000 ordinary shares of Superframe at 15p each. Superframe shares closed unchanged at 16p yesterday.

In the six months to June, Superframe lost £167,051 before tax (profit of £41,577) on reduced turnover of £1.2m (£1.74m). The company joined the market via a placing at 50p a share in March 1995. The shares' year high is 47p, their low 15p.

Chez Gérard grants options

Three directors of Chez Gérard, the restaurant group, have been granted options, at the cost of £1, exercisable at 222p between December 11 1996 and December 11 2003. Ms Clare Whitley has been granted options on 111,500 ordinary shares of 25p, while Mr Laurence Isaacson and Mr Neville Abraham have 70,000 options each.

Grafton buys Dublin property

Grafton Group has bought an investment property in Dublin for £5.8m. The property, a hotel trading as the Rathmines Plaza Hotel, is being sold by O'Dwyer Real Estate Company on a sale-and-leaseback basis. The property is subject to a 35-year lease to O'Dwyer, which will continue to operate the hotel. The consideration is financed by a £2m non-recourse loan and £380,000 cash.

Reunion Mining in gold loan

Reunion Mining has taken a gold loan, equivalent to \$4.5m (£2.7m), from NM Rothschild & Sons for the development of the Dunrobin Gold Mine in Zambia. The loan will attract interest of about 5 per cent. Reunion will borrow a fixed amount of gold which will be sold immediately to raise cash for the mine's development. The loan will be repaid in physical gold out of production. Gold reserves at Dunrobin amount to 1.13m tonnes of ore.

Hillsdown sells cereal unit

Hillsdown Holdings is selling Barber Chestergate, a private label breakfast cereal company, to Dailycer, the UK breakfast cereal subsidiary of Bols Wessanen, the Dutch drinks group, for an undisclosed cash sum. Barber Chestergate generates about £11m sales a year. Dailycer's share of the total UK breakfast cereal market will rise from 9 to 12 per cent.

Nationwide Res placing

Nationwide Residential Properties, which is traded on AIM, plans to raise £469,019 before expenses through a placing and open offer of up to 698,365 ordinary shares. The offer is on a one-for-three basis at a price of 60p. The money will be used for diversification into financial services.

The company reported an interim pre-tax profit of £19,682 (£4,523) for the six months to September 30, on sales up from £73,161 to £101,583.

Northern's small investors urged not to sell yet

By Simon Holberton

Small shareholders in Northern Electric, the Newcastle-based electricity company that earlier this week failed to defeat a hostile bid from CalEnergy of the US, have been urged not to accept the US independent power producer's offer for the time being.

Mr Christopher Foot Wood, head of the Northern small shareholders association, said yesterday shareholders "welcomed" the position taken by some of the institutions which were considering remaining minority shareholders.

"It's going to encourage small shareholders not to sell," said Mr Foot Wood. "It's not over yet."

Northern's board was expected to make an announcement recommending CalEnergy's offer yesterday but failed to do so. A spokesman for the company said a statement would be forthcoming shortly.

It would be unusual if the board did not recommend CalEnergy's offer now that the US independent power producer controls more than 50 per cent of the company.

Prudential Corporation, M&G, and Foreign and Colonial, control about 16 per cent of Northern. They were dogged in their support of the bid in the latter stages of the £782m bid.

One fund manager said he would wait until he had heard the board's advice before deciding the appropriate course of action. Remaining a minority shareholder would be unusual take but "in rare circumstances it might be worth being a minority".

Gartmore, a large investor, said it had accepted CalEnergy's offer only for 30,000 shares which it managed at its discretion. The group's remaining 880,000 shares were held in non-discretionary passively managed funds and had not been voted in the bid, a spokesman said.

Entergy to borrow £1.25bn

By Michael Lindemann

Entergy, the US utility, is to borrow up to £1.25bn from a consortium of international banks to finance its £1.27bn agreed bid for London Electricity.

According to the offer document published yesterday, two separate borrowing facilities will give Entergy UK - the London-based subsidiary of the US group - access to the finance. Some £1.05bn will come from a consortium of banks led by ABN Amro, Bank of Amer-

ica National Trust and Savings Association and Union Bank of Switzerland. In addition, Entergy will also be able to borrow £200m from the consortium to refinance existing working capital. The loans must be repaid by December 17, 2001. If Entergy opts to borrow the £200m it will pay back two Eurobond issues worth £200m which are otherwise repayable in 2008 and 2005 respectively.

The final element of the financing will be made up by equity worth £240m

which will be injected by Entergy.

The first closing date for the bid will be on January 17. Offer, the electricity industry regulatory body, has asked for responses by January 3 and is expected to make a recommendation to Mr Ian Lang, secretary of state for trade and industry, by January 7.

The loans are based on an undertaking by Entergy UK that the group's gearing will not exceed 65 per cent by the third anniversary of the agreement with the banks.

Fairey bid for Burnfield gets backing

By Tim Burt

Leading institutional shareholders in Burnfield, the measuring instruments maker, were yesterday said to have indicated their support for a £57.7m takeover offer from Fairey Group.

The specialist engineering company, which earlier this week increased its bid for Burnfield by 11.5 per cent,

has received "informal assurances" that Burnfield's largest investors would accept its revised offer.

Under the new offer - worth 165p a share - Burnfield shareholders would receive 25 new Fairey shares for every 32 in Burnfield. It represents a 65 per cent premium to Burnfield's closing price on December 16, the day before the launch of the

original £51.1m hostile bid. The terms were agreed at a meeting on December 24 between Charterhouse Bank, Fairey's advisers, and Merrill Lynch, acting for Burnfield.

A revised offer document is expected to be sent to Burnfield shareholders next week - but only if the group adjourns an extraordinary meeting scheduled for Monday to approve its proposed £24m acquisition of LDS, a privately owned vibration equipment manufacturer.

Fairey has made clear that its offer will lapse if Burnfield proceeds with the LDS deal. However, the Burnfield board was yesterday said to be unable to recommend the revised offer because of contractual obligations involving LDS.

New issues reach for record

This year will be a hard act to follow, says Christopher Price

The last in the current round of big government privatisations led a strong new issues market in 1996 as investors and companies took confidence from the generally favourable market conditions.

Uncertainty caused by the impending general election is likely to dampen the market in 1997, although analysts expect a flutter of flotations in the first quarter if the poll is delayed until the last moment in May.

Funds raised by new issues to the stock market were at their highest level since the record set in 1984. The total reached £10.1bn, according to figures from KPMG, the accountancy firm, compared with only £2.6bn in 1995 and just short of £10.12bn in 1994. But the number of flotations on the main market in 1996, at 119, was well down on 1994's 218 and not much ahead of 1995's 88 listings.

Much of this can be explained by the arrival of the Alternative Investment Market, the junior market established in June 1995 as an alternative place to raise capital. It attracted 128 companies in 1996, raising some £500m. Taken together, the main market and AIM totalled £10.6bn, passing the total for 1994.

An upturn in corporate activity in general helped fuel the flow of new issues during 1996. Mergers and acquisitions, share buy-backs, and special dividends all combined to free up institutional capital for other investment uses.

This was allied to a move among fund managers to seek out smaller company shares with the potential for higher growth in order

to obtain better returns. The largest money-raising issue of the year was Railtrack, the owner of the former British Railways network of tracks and stations and other infrastructure, which raised £1.9bn for the government.

The sale of British Energy, the nuclear power generator, raised £1.42bn for the government when it was floated in July.

Further privatisations of this magnitude are hard to foresee even if the Conservative party wins the forthcoming election. Since the sale of the state-owned oil, steel, telecommunications, gas, electricity, water and power generation businesses over the past 15 years, there is a lack of both financially attractive and politically palatable candidates.

Any attempt to privatise the Post Office, the BBC, London Underground or parts of the National Health Service would all be highly sensitive. Other assets, such as the Ministry of Defence married quarters estate, fetch a better price through private sale.

By far the largest private float was that of Orange, the mobile telecoms group. Its 205p share price valued the company at £2.66bn. The issue raised £966m for British Aerospace and Hutchinson Whampoa, the group's co-owners. The shares, currently at 183p, have been dented by the fierce competition among mobile phone operators.

There were also some big issues in the hotels sector as companies took advantage of an upturn in the industry cycle. However, the rush of hotel groups to market prompted indignation among investors, resulting in either disappointing prices or cancellation of some issues in the second half of the year.

Thistle Hotels, which came to the market in October, was valued at £1.05bn, at the lower end of the company's expectations. Later that month Principal Hotels pulled its £110m float, because of investor indifference.

Most analysts agree that 1997 should prove an interesting market for new issues. "The one thing that drives new issues is certainty," says Mr Neil Austin, head of new issues at KPMG. "Investors will back an issue if they are confident of the market conditions in the weeks after the flotation."

Source: KPMG Corporate Finance

Sanderson Kayser units sold by GEI

By Paul Adams

GEI International, the processing and packaging manufacturer, has sold its Sanderson Kayser steel finishing and distribution businesses to the Timken Company of the US for \$5.1m cash.

Sanderson Kayser Limited, the steel finisher, and Sanderson Kayser Distribution had net assets of £8.39m, but the business had not been profitable for years, GEI said.

GEI will retain the debtors, creditors and some stock, and expects to realise about £3m net cash from these.

GEI said that it intended to concentrate on its core business of machine tools.

Mr Stephen Rawlinson, GEI's managing director, said: "We closed our steel-making activities six months ago and we have bought two specialist machinery companies this year."

In August, GEI also sold its Drum Closures subsidiary, which makes metal closing rings, for £3.15m.

Sanderson Kayser, which was founded more than 200 years ago in Sheffield, announced in May that it might have to cut operations because of sustained losses, which reached £752,000 in 1995.

The Financial Times plans to publish a Survey on

Sheffield

on Thursday, February 27

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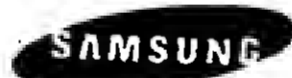
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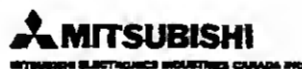
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COMPANIES AND FINANCE

Mercedes chief sees higher sales and profits

By Andrew Fisher in Frankfurt

Mercedes-Benz, the car and truck subsidiary of Germany's Daimler-Benz, is on target for higher sales and profits this year and expects another strong performance in 1997. Mr Helmut Werner, chairman, said yesterday.

Turnover at Mercedes should rise from DM72bn to about DM77bn (\$49.5m), with cars accounting for nearly DM46bn, against DM40.4bn previously.

Mr Werner said the company would achieve its planned rise in profits in spite of heavy investment in new models and production facilities.

He said next year would see Mercedes advance towards its goal of becoming "the number one in the world automobile industry in terms of innovation, quality and profits". New models and efficiency programmes, especially in the European truck sector, would keep the company on track for growth.

Mercedes gave no indication of its profit figure for 1996. In 1995, net income rose 23 per cent to DM2.38bn, while the whole Daimler group made a DM5.7bn loss

after tough cost-cutting and restructuring, which mainly affected its aerospace activities. For 1996, Mr Jürgen Schrempf, Daimler's chairman, has promised a much improved result.

Mercedes' improving performance comes as a power struggle between Mr Schrempf and Mr Werner appears to be moving to a conclusion.

Mr Schrempf has made it clear he wants Daimler's main board to take direct management responsibility for cars and commercial vehicles. Mr Werner has opposed any attempt at a merger of the separately-run Mercedes operations into Daimler, whose supervisory board is due to discuss the matter on January 23.

Mr Werner's position is likely to be strengthened by Mercedes' latest performance, with worldwide car sales exceeding 640,000 units in 1996, up from 590,200 last year. More than 370,000 were sold abroad. Sales of trucks, buses and transporters rose from 290,100 units to 345,000. Daimler's shares gained DM1.50 to DM103.70 yesterday on the Mercedes figures.

Domestic car sales rose 12 per cent, to 265,000. The main contribution to car



Unexpectedly strong demand for the SLK convertible contributed to a 12 per cent increase in Mercedes' domestic car sales

sales came from the E-class target has been increased from 35,000 to 47,000. Car sales in the US and Japan, Mercedes' most important non-European markets, rose about 20 per cent to 90,000 and 42,000, respectively. Sales in western Europe (outside Germany) were 9 per cent higher at 173,000. In commercial vehicles, domestic sales were 86,000 units against 85,300, helped by the new Actros heavy truck. Sales in the rest of western Europe climbed 27 per cent to 105,000.

SAS tightens belt for difficult flight

The Scandinavian airline is bracing itself for a fresh round of retrenchment

Like all airline chief executives, Mr Jan Stenberg of Scandinavian Airlines System is accustomed to periodic bouts of turbulence. But as he pilots the carrier into the New Year, he finds himself battling a headwind.

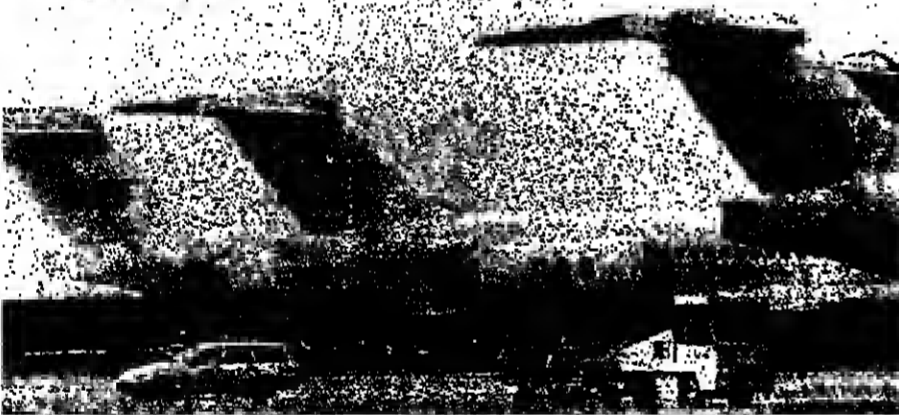
SAS's profits are sagging, costs are sharply up, and competition in an increasingly deregulated market is squeezing margins - an uncomfortable state of affairs for an airline which felt its star was rising again after posting record earnings in 1995.

Now, barely two years after spearheading sweeping cuts which stirred staff resentment and prompted a rash of costly strikes, Mr Stenberg is bracing himself for a fresh round of retrenchment.

In an attempt to reduce a cost-to-income burden of 84 per cent, the company has mounted a big efficiency drive. It has pledged not to cut jobs - the largest cost factor - but will concentrate on eliminating waste and duplication. Productivity improvements of up to 7 per cent are targeted in 1997.

SAS hits turbulence

Year-end results, \$10 m	1994	1995	1996	1997	1998
Sales	36,696	35,403	35,700	36,900	37,800
Operating result	1,405	2,087	2,050	2,450	2,550
Financial net	-661	-979	100	300	625
Res and dividend	723	2,398	2,150	2,700	3,175
Estimates					
Key ratios - SAS Denmark, DKr	1994	1995	1996	1997	1998
Operating margin, %	3.8	5.9	5.7	6.6	6.7
Earnings per share	1.8	2.6	2.6	3.1	3.2
Cash flow per share	14.0	25.7	20.5	24.3	26.7
Price/cash flow per share			3.7	3.1	2.5
Net asset value per share	41	51	61	68	77
Dividend	1.09	2.44	3.00	3.00	3.00
Yield, %			4.0	4.0	4.0
Return on equity, %	4.7	24.1	16.7	18.2	16.2
Source: Handelsbanken					



The one-and-a-half year co-operation encompasses administrative functions such as timetabling, check-in and booking. It has fuelled a 10 per cent growth in traffic - above the European industry average - and both sides are keen to develop the link.

The one-and-a-half year co-operation encompasses administrative functions such as timetabling, check-in and booking. It has fuelled a 10 per cent growth in traffic - above the European industry average - and both sides are keen to develop the link.

But when a top Lufthansa executive recently suggested the alliance would lead to a future merger, SAS's response was cool.

Mr Stenberg, aware that SAS would be swallowed whole by its larger partner, says: "It would not be a merger of equals." Airlines, he says, "have been very monolithic through history and you would have a lot of qualification problems. I am sceptical."

The reservations are, perhaps, unsurprising given SAS's previous disastrous attempt at a four-way merger with KLM Royal Dutch Airlines, Swissair and Austrian Airlines. The grandiose project, known as Alcoa, collapsed amid disagreement over a common US partner.

No such obstacle would apply to Lufthansa and SAS, which both collaborate with United Airlines of the US. Mr Stenberg's formula is to cement SAS inside the Lufthansa-United Airlines network, thereby allowing it to "operate in a global market without having a global presence".

While competition at home heats up, Mr Stenberg sees new opportunities in European markets as planned

deregulation takes effect. He foresees SAS starting operations to countries such as Spain, France and Italy once liberalisation occurs. "We are flying to and from these destinations and there is no reason why we should not fly some internal routes too," he says.

One favourable factor is that industrial relations, an Achilles heel for SAS in recent years, appear to have improved. Mr Stenberg estimates that he spends one-tenth of his time meeting representatives of the airline's 43 trade unions, a strategy which has helped to soften his uncompromising reputation among employees.

The plethora of unions is a legacy of SAS's tripartite structure which, according to analysts, is complex and cumbersome. The company made efforts to harmonise its operations in 1996 by reorganising the equity shares of the three national parent companies, but a common stock is still a long way off. Shares in each national holding company are listed in the respective countries. They trade at different prices, offer varying liquidity and are subject to arbitrage.

The Swedish, Norwegian and Danish governments hold 50 per cent stakes in the respective holding companies. There has been talk of the governments reducing their ownership, but Norway is believed to oppose the idea.

Mr Stenberg would welcome a broader private ownership, which would make it easier to raise capital, but he ardently defends the existing pan-national structure.

Any concentration to one domicile would, he says, weaken customer loyalty in the other countries - as would any merger with Lufthansa.

Greg McIvor

Nikko bails out lending affiliates

By William Dawkins in Tokyo

Nikko Securities, a leading Japanese stockbroker, is to inject ¥147.5bn (\$1.28bn) into three lending affiliates to enable them to write off non-collectable property-related loans.

Nikko's move means that all of Japan's big four brokers have now cleared the problems of their non-bank financial affiliates, which got into trouble by lending to risky property projects at the height of the 1980s asset price bubble.

Nomura made the biggest write-off - ¥371bn - followed by ¥150bn at Yamai and ¥120bn at Daiwa.

"Nikko said the capital injection came in response to "social demand for the timely disposition of non-performing assets" to maintain the company's credibility and enhance competitiveness.

Like the other big brokers, Nikko will account for the injection as an extraordinary loss in the current year to next March. Of the total, ¥82.1bn will go to Kyodo Mortgage Acceptance, which is to receive an additional ¥47.6bn from Asahi Bank, another leading shareholder in Kyodo. Another ¥47.7bn goes to Nikko Credit Services and the remaining ¥17.7bn to Nikko Real Estate.

As a result, Nikko Securities expects to make an unconsolidated net loss of ¥95bn in the current year, its first deficit in two years, rather than the ¥24bn net profit it had been expecting.

Nikko has also revised down its operating forecasts, to a recurring profit - before tax and extraordinary items - of ¥40bn, on revenues of ¥270bn. It had previously expected a ¥60bn recurring profit on revenues of ¥300bn.

INTERNATIONAL NEWS DIGEST

Itochu moves into life assurance

Itochu, one of Japan's leading general trading companies, will in April start selling life assurance policies.

The move follows last October's relaxation of Japan's insurance business law, which removed the ban on the sale of life assurance by non-insurance companies. Itochu is among the first to take advantage of this deregulation, which is part of a wider relaxation of barriers between different types of insurance providers. It is also part of Itochu's general diversification away from its original, low-margin export import business.

The new insurance company, to be based in Osaka, will be 40 per cent owned by Itochu, with the remaining 60 per cent held by Global Insurance, a Tokyo-based consultant. It will act as an agent for 30 medium-sized insurers and sell a wide choice of policies, from life to endowment and medical insurance, Itochu said. The company also aims to combine different policies to offer tailored products which until now have been unavailable from individual insurers, it said.

William Dawkins, Tokyo

Viag lifts Vereinsbank stake

Viag, the German conglomerate with interests in energy, packaging, chemicals and telecommunications, has increased its shareholding in Bayerische Vereinsbank, Germany's fourth-biggest commercial bank, from 7.2 per cent to 10.24 per cent. Viag, which said it regarded the holding as an investment, owns the shares through Bayerwerk, its Bavarian electricity and gas division.

Munich-based Vereinsbank was at the centre of speculation about a possible restructuring of the German banking sector this summer, when Deutsche Bank surprised financial markets by announcing the acquisition of 5.2 per cent stake.

Andrew Fisher, Frankfurt

India's paperless trade starts

India's first paperless stock trade was made during quiet trading on the National Stock Exchange on Thursday.

The move follows the start-up last month of the country's first depository under a joint venture between the NSE and domestic financial institutions, which was seen as one of the most significant reforms of the Indian capital markets in the last four years.

Investors now have an alternative to India's antiquated and paper-based settlement system. Paperless trading is also expected to increase investment by foreign institutions, many of which have been deterred by the settlement system.

However, Mr Gagan Rai, NSE executive director, said the development of scripless trading would take time. Of the 11 stocks initially selected for paperless trading in the depository, only three were available for trading on Thursday. Of these three - Reliant Industries, Housing Development Finance Corp and Siemens India - there was only one trade made during the day, as there had been only one token sell order.

Tony Tassell, Bombay

Unocal sells out of UNO-VEN

Unocal, the US oil company, is to sell its 50 per cent stake in the UNO-VEN refining operations in the US to Petroleos de Venezuela (PDVSA) for \$350m by the end of the first quarter of 1997.

UNO-VEN is a petroleum refining and marketing company that markets "76" brand products in the US Midwest. The 50-50 partnership between Unocal and PDVSA, the Venezuelan state-owned oil company, was formed in 1989.

If the transaction goes through, Unocal expects to invest part of the proceeds in upstream and midstream projects overseas and in the US Gulf of Mexico area, the company said in a statement.

UNO-VEN runs a 153,000 b/d refinery near Chicago, and supplies approximately 2,500 independently owned "76" branded retail outlets in 15 Midwest and eastern states. The partnership has 1,100 employees and annual sales of more than \$1.2bn.

Unocal and PDVSA expect to complete the transaction in the first quarter of 1997.

Reuters, California

Georgia-Pacific in \$320m sale

Georgia-Pacific, the US pulp and paper group, is selling its Martell operations because it has "received a very good offer", the company said.

The agreement, announced earlier this week, to sell the Martell operations to Sierra Pacific for \$320m, was not part of any strategy to sell off assets, according to Georgia-Pacific.

The company will post an after-tax gain of about \$60m in the second quarter of 1997 on the sale.

However, one analyst said the Atlanta building and paper products manufacturer may be trying to distance itself from its West Coast involvement.

"The West Coast has not been a main operations area. The woods products have shifted to the south-east," said Mr George Adler, an analyst at Smith Barney.

Georgia-Pacific, which reported sales of \$14.2bn in 1995, owns about 8m acres of timberland, of which 4m acres are in the southeast. After the sale, Georgia-Pacific will own 200,000 acres of timberland in California.

AP-DJ, New York

HK investors buy into Vancouver developer

By Bernard Simon in Toronto

Burcon International Developments, a little-known Vancouver-based holding company, is set to emerge as the prime vehicle for Mr Li Ka-shing and other prominent Hong Kong investors to expand their property interests in North America.

Burcon, which is controlled by Hong Kong investors, has agreed to pay C\$250m (US\$183m) in cash and shares for part of Vancouver-based Concord Pacific Holdings, a private developer controlled by Mr Li.

Concord's flagship is Concord Pacific Place, a 200-acre residential and commercial project on the site of the Expo 86 World Fair in central Vancouver. Under the deal with Concord, Burcon will have options to acquire the entire development.

Fourteen condominium buildings are either complete or under construction at Pacific Place. The aim is

to complete the C\$3bn project within the next decade.

Burcon is a public company listed in Toronto. Its biggest shareholder is International Tak Cheung Holdings, a property, oil trading and construction materials group, which has a 46 per cent stake. Hutchison Whampoa, the conglomerate controlled by Mr Li, currently owns about 14 per cent.

Hutchison Whampoa's stake will rise substantially as a result of the Concord deal. Burcon will be jointly controlled by Hutchison, Tak Cheung and Hong Kong's Hui family. The companies declined to reveal specific shareholdings.

Mr Charles Chan, head of the Tak Cheung group and also Burcon's chairman, said: "Our new shareholder base and our strengthened balance sheet further reinforce our objective to become one of North America's leading integrated real estate groups."

Burcon, which may be

renamed Concord Pacific, began its expansion in early 1995 with the acquisition of a controlling interest in Oxford Properties, an ailing Toronto-based property developer.

Oxford has been revitalised into an aggressive concern with interests in 20.4m sq ft of commercial property, and management contracts for 44m sq ft of space in 35 cities across Canada and the US.

A 50 per cent-owned joint venture paid C\$1bn earlier this year for Marathon Realty, formerly Canadian Pacific's real-estate arm.

Burcon will finance the Concord Pacific purchase by issuing 8m common shares and warrants for another 8.1m shares, more than doubling the current number of shares outstanding. Burcon said it also planned a public equity offering to raise funds for the Concord deal.

Burcon shares gained 25 cents to C\$10.50 in early trading yesterday. Oxford shares rose slightly.

OBITUARY: Ellen Schneider-Lenné Deutsche Bank director

Miss Ellen Schneider-Lenné, a director of Deutsche Bank and one of the few women to reach the board of a leading German company, died on Christmas Day at the age of 54 after a lengthy illness. She had already announced her intention to retire at the end of this year.

Miss Schneider-Lenné, who was born in Berlin, joined the bank's board in 1988, becoming its first and only female director. No other leading German commercial bank has a woman on its board.

Her responsibilities at Deutsche covered credit risk management and financial institutions, as well as operations in the UK, where she was initially involved in investment banking after the bank's purchase of Morgan Grenfell in 1989.

Latterly, her UK responsibilities were concentrated on the commercial banking side.

She joined Deutsche Bank in 1967, having studied business administration at the university of Cologne.

After a spell as personal



Ellen Schneider-Lenné: first and only female board member

assistant to Mr Franz Heinrich Ulrich, a former chairman, she spent several years in New York and London, before moving into the management of the international department in Frankfurt with responsibility for trade financing.

Miss Schneider-Lenné was a non-executive director of Imperial Chemical Industries and served on the supervisory boards of Industrial Bank of Japan's operation in Germany and Readymix AG, the German subsidiary of the UK company.



One day I want to work in the City

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nickel slides as stocks rise

BUSINESSES FOR

APRIL - THE FUTURE OF THE CITY OF BRADFORD

BRADFORD GOVERNMENT

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COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Nickel slides as stocks rise

By Kenneth Gooding and Peter John

Nickel's price fell to its lowest level in 2 1/2 years in quiet trading on the London Metal Exchange this week. On Monday, when it slipped to \$6,460 a tonne, traders said one big seller was responsible. But yesterday nickel for delivery in three months on the LME edged lower in thin trading, to \$6,470.

Analysts pointed out that demand from the stainless steel industry, which accounts for two-thirds of demand for nickel, had been weak for several months and LME stocks were rising steadily towards the psychologically important 50,000 tonnes level. The LME did not release any stock figures yesterday. The next set of statistics will be announced on December 31.

The metals team at Paribas Capital Markets says: "With prices weakening, nickel market sentiment has turned bearish. Demand, while strengthening in Europe and Asia, remains weak in Japan and the US. Given current market conditions, consumers are unlikely to increase 1997 contract volumes. However, we expect the nickel market to tighten next year and, if major consumers are caught short, further upward pressure should be exerted on prices."

Mr Ted Arnold, analyst Merrill Lynch, also suggests that nickel prices are cheap at present. He says that stainless steel scrap is increasingly in short supply and mills will have to turn more to primary nickel. "When that happens, probably towards the end of the first half, nickel prices could

BASE METALS

LONDON METAL EXCHANGE

Table with columns: Metal, Unit, Price, Change, High, Low, Vol. Includes Aluminum, Copper, Lead, Nickel, Zinc, Tin.

LME Warehouse Stocks

Table with columns: Metal, Unit, Stock, Change, High, Low, Vol. Includes Aluminum, Copper, Lead, Nickel, Zinc, Tin.

YESTERDAY'S SHORTENED LONDON SESSION

A rise of 19 cents on the day, with the market taking some heart from some encouraging data on underlying stocks.

The latest US data showed that US crude stocks were down by between 5.2m and 5.1m barrels to between 290.6m barrels and 297.9m barrels. The data also showed that distillate stocks had fallen by anything up to 1.5m barrels.

At the same time, demand increased following severe weather conditions in Europe and the US. However, volumes were light over the Christmas holiday week. Dealers still expect the price to trend lower as the weather eases and the impact of Iraq's return to the world market begins to take effect.

Cocoa slipped below a significant support level with the futures contract hitting a nine-month low of \$993 a tonne, before ending the week at \$986 a tonne.

PRECIOUS METALS CONTINUED

GOLD COMEX (100 Troy oz \$/troy oz)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Gold, Silver, Platinum, Palladium.

ENERGY

CRUDE OIL NYMEX (1,000 barrels \$/barrel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Crude Oil, Heating Oil, Gas Oil.

CRUDE OIL ICE (Barrel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Crude Oil.

HEATING OIL NYMEX (42,000 US gal. \$/US gal.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Heating Oil.

NATURAL GAS NYMEX (10,000 cubic ft. \$/10,000 cu ft.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Natural Gas.

UNLEADED GASOLINE NYMEX (42,000 US gal. \$/US gal.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Unleaded Gasoline.

NATURAL GAS NYMEX (10,000 cubic ft. \$/10,000 cu ft.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Natural Gas.

WORLD BOND PRICES

Table with columns: Country, Bond Name, Price, Change, High, Low, Vol. Includes US, UK, France, Germany, Italy, Spain, Japan.

GRAINS AND OIL SEEDS

WHEAT LIFFE (\$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Wheat, Corn, Soybeans, Barley.

SOYBEANS

SOYBEAN OIL NYMEX (100,000 lbs. \$/100,000 lbs.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Soybean Oil.

SOYBEAN MEAL NYMEX (100,000 lbs. \$/100,000 lbs.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Soybean Meal.

POTATOES LIFFE (\$/tonne)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Potatoes.

FRUGITS (BUFFED) LIFFE (\$/100 lbs. \$/100 lbs.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Frugits.

GAS OIL NYMEX (10,000 US gal. \$/10,000 US gal.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Gas Oil.

UNLEADED GASOLINE NYMEX (42,000 US gal. \$/US gal.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Unleaded Gasoline.

NATURAL GAS NYMEX (10,000 cubic ft. \$/10,000 cu ft.)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Natural Gas.

WORLD BOND PRICES

Table with columns: Country, Bond Name, Price, Change, High, Low, Vol. Includes US, UK, France, Germany, Italy, Spain, Japan.

MEAT AND LIVESTOCK

LIVE CATTLE COMEX (40,000 lbs. \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Live Cattle, Hogs, Pigs.

LEAN HOGS COMEX (40,000 lbs. \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Lean Hogs.

PORK BELLS COMEX (40,000 lbs. \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Pork Bells.

LEAN HAM COMEX (40,000 lbs. \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Lean Ham.

COFFEE LIFFE (\$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Coffee.

COFFEE NYMEX (100,000 lbs. \$/100,000 lbs.)

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INDICES

FTSE 100

Table with columns: Date, Price, Change, High, Low, Vol. Includes FTSE 100, Nikkei, DAX, Hang Seng.

FTSE 250

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FTSE 1000

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UK Gilts Prices

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday December 28 1996

Please don't stop the party

And so it goes on. The seemingly endless party on Wall Street has not only dumfounded the sceptics, US investors marked the closing weeks of the year by snubbing the chairman of the Fed, Mr Alan Greenspan. In response to his publicly expressed worries about "irrational exuberance", they became yet more exuberant and placed even more irrational valuations on US equities. If this sounds like hubris, it probably is. Note, though, that there is a sense in which Wall Street has been doing the rest of the world a service.

Two of the more striking features of the world economy in the second half of the 1990s are the persistence of deflationary pressures, especially in Japan, and the toughening stance of fiscal policy in much of the OECD area. A further drag on the growth of global output has been an inventory adjustment which has affected even the more dynamic Asian economies, which are now a very significant part of the world economy. Against the background of these restraining influences, the global economic slow has been kept on the road partly by a loosening of monetary policy, which has been reflected more in a big build-up in dollar-denominated central bank reserves than in conventional money supply figures. But the rise in the US equity market has also contributed to what the economists call a "wealth effect". The resulting surge in confidence has made it easier for Americans to act, mercifully, as the world's borrowers and spenders of last resort.

Inherent danger

By historic standards the result has been nothing to write home about. Since 1990 the fastest annual rate of growth in real gross domestic product achieved by the OECD countries has been 2.7 per cent. But that is a measure of the danger inherent in the overheating on Wall Street. A crash could produce a reverse wealth effect at a time when growth remains fragile. The nervousness of the Tokyo market this week was symptomatic. Investors are worried that in the battle between fiscal and monetary policy, fiscal austerity might yet emerge on top. What, then, is the likelihood of a damaging bull market correction? One concern in the US is that the share of corporate profits in national income, which has been on a healthy rising trend in the present cycle, could go

into reverse. In a disinflationary environment, where labour markets are tight and goods markets are slack, industrialists will find it hard to pass on increases in labour costs to the consumer. And with the Fed anxious to keep a firm grip on an economy in which the gap between actual and potential output has disappeared, the scope for continuing productivity gains will be reduced. Much of the underpinning of the bull market could thus be removed.

Nemesis delayed

Yet in practice the demise of bull markets is usually precipitated by monetary factors. And here it looks as though nemesis will come later rather than sooner. With the notable exception of the United Kingdom, monetary policy in the leading industrialised countries is mainly expansionary. Even the Bundesbank has abandoned its hairshirt, and some leading German and French politicians are now committed to the policy of competitive devaluation which they attacked so virulently when it was thrust upon the UK on its ejection from the Exchange Rate Mechanism.

Bond markets also have a crucial influence on the level of equities. As fiscal retrenchment continues, the increase in policy credibility stands to deliver further reductions in real long-term interest rates.

Another concern is that the Japanese authorities could undermine Wall Street by ceasing to buy US Treasury bonds. Yet it is hard to believe that they would want the return to a strong yen which this would imply while the Japanese economy remains weak and the banking sector is very fragile. And since it takes time for monetary policy to do its work, it seems all the more likely that global liquidity will remain buoyant for a while yet. If so, the *Joie de vivre* on Wall Street may tide the world over to a more confident economic upturn in which the surprises may come on the side of faster than expected growth. This is, after all, a long cycle in which the contribution of the newly industrialising economies in Asia and elsewhere will be an unprecedented scale.

If the unsynchronised growth of the first half of the 1990s gives way later in 1997 to a synchronised upturn, the resulting inflationary pressures will call for precautionary monetary medicine. But by then the world should be equipped to cope.



On the ball: John Gallagher (left), Blackheath captain, welcomes the end of amateurism, while Vasiga Tuigamala (centre) and Lawrence Dallaglio attract crowds to Wasps games

Everything to play for

The chaotic professionalisation of rugby has left some clubs struggling while others prosper, says Patrick Harverson

Mr Danny Vaughan is a stocky south London truck driver, whose misshapen nose and battered features reflect a long career spent in one of sport's most unforgiving frontlines - the rugby scrum. After serving Blackheath rugby club as both player and coach for almost a decade, Mr Vaughan is now helping the sport's oldest club manage the transition from amateurism to professionalism. It is not an easy task.

"I can't put my finger on it but something has been lost," he says of the change in rugby union's status. "The difference between winning and losing was always important, but not that important. Now it's everything."

So much has changed in such a short time that those responsible for the day-to-day operation and playing of the game - the club administrators, coaches and players - are struggling to keep up with the demands of the new era.

It was only in August last year that rugby union abandoned more than a century of amateurism. For several years, broadcasters had been paying ever-larger sums to cover popular international fixtures and the quadrennial rugby World Cup.

But the final impetus for the change came from Mr Rupert Murdoch, the media mogul who has used sport to build markets for his substantial television interests across the world. By the early 1990s he had identified rugby as a sport with enormous growth potential - exciting to watch and appealing to audiences in many television markets.

He began spending hundreds of millions of pounds acquiring the rights worldwide to televise professional rugby league and the amateur rugby union. As the money poured into the game, the players wanted their

share. Amateurism was doomed. Yet when professionalism arrived UK rugby was unprepared. The immediate consequence was a fierce battle between the 24 clubs in the top two divisions which went professional - several backed by new, very wealthy owners - and the Rugby Football Union, the English football's ruling body.

The issue was control of the players and club competitions, and the distribution of the all-important television revenues. The first- and second-division clubs wanted to run their own competitions, and they wanted a big share of the £87.5m five-year television deal the union had signed with BSkyB, the satellite broadcaster controlled by Mr Murdoch.

Eventually, the clubs - under pressure from smaller members which had been running up substantial debts while awaiting the first instalment of television money - capitulated. While rugby's rulers waged war, the sport suffered at club level. The fixture list began to fall apart as the new Anglo-Welsh Cup descended into farce amid a welter of game cancellations. Meanwhile, the flagship European Cup lost badly needed exposure as ITV abandoned coverage of the tournament after confusion about arranging televised matches.

This chaotic entry into professionalism has left Mr Tony Kennett, a retired oil industry executive who now chairs Blackheath's fundraising committee, frustrated. "Anyone involved in running rugby at the moment is working like the clappers," he says. "There hasn't been enough time to think this all through. I'm sure the honest opinion of most club administrators would be that they wished the game had not gone professional."

However, Mr Kennett speaks primarily for the smaller clubs such as Blackheath, which is in the second division. Bigger clubs with the high public profile vital to capitalise on rugby's new status view professionalism as the bridge to bigger, better things. Perhaps no club has come so far so quickly as Wasps, the London club which greeted the new world of professionalism by announcing its intention to join the stock market. That plan was abandoned, however, when Mr Chris Wright, chairman of the Chrysler media group, offered to buy Wasps and merge it with Queens Park Rangers football club.

Now part of a stockmarket-listed company called Loftus Road, the club has a firm sponsorship deal with NCR, the computer company. The first team plays most of its games at QPR's 19,000-seater football stadium near Shepherd's Bush, where attendances for the big games have more than tripled to over 10,000.

are improving, diets are more closely monitored; football-standard medical facilities are available, and the players now approach the sport as though it is their job - which it is - and not just a hobby.

Professionalism has also altered the relationship between coaches and players. Mr Melville says: "The coaches used to ask players: 'Would you mind coming along for an extra training session this week?' Then suddenly, it's: 'You will turn up here on this day at this time.' It's a whole new world," he says.

In this new world Mr Melville, a professional coach employed by a publicly quoted company to train full-time players, keeps a close eye on the stock market to see how his Loftus Road stock options are faring. "I watch the shares every day," he says.

Across London at Blackheath, Mr Kennett probably wishes he could worry about share prices. His chief priority is converting a 138-year-old membership club into a public limited company with a broad shareholder base, and raising the millions of pounds needed to fund the club's move from its cramped home.

The Rectory Field may be one of the oldest grounds in rugby, but it is ill-suited to modern-day sporting demands. The club must move to a new stadium in a more accessible, attractive location if it is to make the most of professionalism.

Mr Kennett knows that if Blackheath is unable to raise the money to make the move, its future as a professional organisation could be in doubt. The club is budgeting for revenues of only £700,000 this year, with player wages and administration costs forecast to swallow all but a fraction of that income.

The club's tenuous financial position means it can afford to pay only two full-time players

out of a first-team squad of 40. With so many still on part-time contracts, weekday evenings continue to offer the only chance for the players to train together.

Hence the planned £2.6m share issue and the club's increasingly desperate search for a wealthy backer to inject funds. Talks with two prospective investors have broken down and Mr Kennett says the club "is looking to get into bed with the right sort of person".

Despite his cheerful approach to the fundraising task at Blackheath, he cannot disguise his concern that the clubs may be overstretching themselves. "We're very suspicious about where this is all leading us. Is it eventually going to drive all the clubs into bankruptcy?"

But if administrators such as Mr Kennett are fearful of the future, his players welcome the end of amateurism wholeheartedly. "It's good that it has happened. It was long overdue," says John Gallagher, the former New Zealand international full-back who now captains Blackheath. Hikka Read, an ex-All Black team mate who now helps coach Blackheath, agrees. "The players love it. After all, they're now getting paid to play," he says.

Gallagher and Read envisage a future in which a Blackheath team plays entertaining rugby in front of large crowds in a new all-seater stadium. They see rugby fixtures moving to Sunday to attract new and more fans, and they anticipate a large squad of players on full-time contracts able to train on weekdays like other professional athletes.

But until the club finds financial backing, Gallagher knows the future will have to be put on hold. "We cannot run before we can walk," he admits. "At the moment we're in the joggling phase."

LETTERS TO THE EDITOR

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Probing the darker side of the brightly lit new inner cities

From Mr George Sheeran.
Sir, Colin Amery's "The brighter lights of the big city" (November 23/24) made interesting reading, confirming what I suspect many of your readers have observed taking place around them - "a renaissance of inner-city life... by popular choice".
But for whom? It is easy to be dazzled by the gentrification of some city centres: beyond the surface glitter, however, lies a darker place.
I wonder if people have ever stopped to think why the centres of cities hailed as models of urban regeneration - Glasgow, Leeds, parts of London - appear to be becoming peopled by only the well-heeled? The reason is the policies effected by an urban managerial elite of municipal planners, housing managers, development corporations and so on.
In order to regenerate, there is

a need to attract top legal and commercial firms together with the expensive big-name stores and fashionable small businesses. But to attract these, it is necessary to remove the unshapable small businesses and any lingering traces of social housing near to the centre.
The desired result is a prosperous, new-look city, rebuilt in post-modernist styles; where earlier architecture has been restored, where redundant, but characterful, warehouses and the likes have been converted to smart, upmarket apartments. And where crime rates are falling because the troublesome elements have been moved to someone else's doorstep.
Colin Amery is wrong when he suggests that high-rise dwellers and Sloane Rangers have equal access to the culture of these "new cities".
Their shops and restaurants have become too expensive and

exclusive for the high-rise dweller, a trend also observable in art galleries and museums. In Leeds the new Royal Armouries Museum charges an admission fee of about £20 for a family of two adults and up to three children - enough to make the low-paid think twice.
While the process is far from complete, the pattern beginning to emerge is one of city centres where the poor are moved on, the working class tolerated as shop and office workers, and small businesses that do not fit the image made unwelcome.
As Lily Savage said in a recent TV show: "They don't take Provident cheques at Harvey Nichols, do they?"
George Sheeran, 8 Sunny Bank, Shipley, West Yorkshire, BD18 3RP, UK

Prescient Bell's network

From Mr Stewart Black.
Sir, I must take issue with Alan Crane's assertion that Alexander Graham Bell envisaged the telephone "principally as a way of disseminating concerts and other musical performances to a wider audience". ("Why talk today is relatively cheap", December 23).
In *The History of Bell's Telephone*, K. Field quotes Bell as writing: "It is conceivable that cables of telephone wires could be laid underground, or suspended overhead, communicating by branch wires with private dwellings, country houses, shops, manufactories, etc., etc., uniting them through the main cable with a central office where the wires could be connected as desired, establishing direct communication between any two places in the city. Such a plan, although impracticable at the present moment, will, I firmly believe, be the outcome of the introduction of the telephone to the public. Not only so, but I believe, in the future, wires will unite the head offices of the Telephone Company in the different cities, and a man in one part of the country may communicate by word of mouth with another in a distant place."
Bell therefore accurately predicted both the application of his invention and the basic structure of the network.

Stewart Black, 11 Elvie Drive, Giffnock, Glasgow, G46 6PN, UK

Cosmetic device lowers the value of a business

From Mr David Allen.
Sir, Mr Ian Kennedy argues (Letters, December 21/22) that Lex continues to miss the real point as regards share buy-backs - but the situation is more complex than he indicates.
Specifically, the idea that a buy-back is "earnings enhancing" is erroneous. In today's conditions, if a company buys back shares to the value of £100m, say, then its future earnings will be about £5m per annum lower than if it had

retained the funds on account of the interest foregone or paid. The point is that, were the distribution to be called a dividend, earnings per share would be correspondingly reduced. Calling it a buy-back has the effect of avoiding that reduction.
Lex's description of the device as cosmetic is correct in the sense that, at best, the value of a business (its cash-generating potential) is no lower, after a buy-back from a few shareholders, than it would have been after

the payment of a similar amount in dividends to all shareholders. But cosmetics have side-effects. In this case, if directors pay themselves and their managers bonuses based on crude earnings per share figures, what Mr Kennedy applauds as earnings enhancing actually lowers the value of the business to its shareholders.

David Allen, 5FM, 15 Alderbrook Road, Solihull B91 1NN, UK



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Next chapter in the foresight saga

How well did FT writers fare with last year's prophecies? Martin Wolf made a relatively safe bet that the world economy would not slow further but that "more of the same" might result in poor growth in Japan, "the fragile blossoming" of recovery predicted by William Dawkins was more than fulfilled.

John Plender would have raked in the chips with his cautiously bullish forecast for equities share prices rose throughout 1996 in most markets.

Although Chrystia Freeland hedged her forecast on whether Mr Boris Yeltsin would remain president of Russia, she correctly predicted that Mr Vladimir Zhirinovskiy, the *Damboyant* ultra-nationalist, would fail to make it to the final vote.

Jurek Martin would bet "only a nickel" on Mr Bill Clinton in the US presidential race. As it turned out, he could have afforded a bigger punt on the Democrats' runner - especially as he forecast correctly that Mr Bob Dole would win the Republican nomination.

John Murray Brown may not, alas, have needed great powers to foresee that talks on Ulster's future would be bogged down in disputes about the decommissioning of terrorist weapons.

Philip Stephens was right to think the Tories would hang on in the UK despite a dwindling majority. As for European monetary union, Lionel Barber may have underestimated the growing political determination in continental Europe to make it happen.

In the Middle East, David Gardner's doubts of accord between Israel and Syria were fully justified. He could not have foreseen that Mr Shimon Peres would be replaced as Israel's prime minister by the hardline Mr Benjamin Netanyahu.

Now for 1997.

Max Wilkinson

official Japanese capital into US savers with less money for equities; a rise in short-term US interest rates if Mr Alan Greenspan, the Federal Reserve chairman, fails to damp "irrational exuberance".

Yet these factors are more likely to induce a correction than a crash - especially since the Japanese will not readily pull the plug by tightening monetary policy. In fact Tokyo looks more crashworthy than Wall Street - its bond and equity valuations are absurd by global standards.

Will the Clintons sink in scandal?

Jurek Martin writes: The administration will be distracted by them. There are simply too many pending inquiries for it to be otherwise - Whitewater, travel-gate, FBI file-gate, political fundraising, even sexual harassment. But overwhelmed or even brought down à la Watergate? No.

The Clintons have been accused of nothing that compares to the "high crimes and misdemeanours" that brought down Nixon. Never forget, too, that it is easy to report and allege, but harder to indict and tougher still to convict - and the Clintons will fight at each stage of the legal process.

Nor have they lost the war for the public ear. November's presidential election showed that Americans accepted their president and first lady - alleged warts and all.

How many countries will qualify for Emu?

Lionel Barber writes: A socialist would reply, none. The decision on which European Union member states qualify for entry into the elite single currency club will not be made until April/May 1998.

But we should have a pretty good idea of which countries are in line by the end of the year, based on their economic performance in 1997 and their 1998 budgets.

A safe, narrow Emu would be based around France, Germany, and the Benelux countries. Probable additions include Austria, Finland and the Irish Republic. Less probable but not impossible: Spain and Portugal.

There is no way for the Italians to slip under the tent flap. And a UK government, Tory or Labour, seems to have left itself no time to pass the necessary legislation, let alone win over a sceptical public. The Danes and Swedes need referendums, and Greece will not make it this side of the millennium.

Will life be proved to exist on other planets?

Clive Cookson writes: Assuming alien beings do not land on earth during 1997, there are two scientifically plausible ways that could prove the existence of extraterrestrial life.

First, researchers might come up with compelling evidence by further study of Martian meteorites (rocks blasted off Mars by an asteroid smashing into the planet, which end up on earth). The evidence presented last August by NASA scientists - that meteorite ALH84001 contained microscopic fossils and chemical traces of primitive Martian organisms - is controversial.

What is likely to happen during 1997? FT writers anticipate the events that will shape the world during the year



Something much stronger will be needed to convince many independent experts, and that is unlikely to emerge within the next year.

The second and more exciting possibility is that astronomers taking part in the search for extraterrestrial intelligence will pick up radio signals from civilisations elsewhere in the galaxy. Several of the world's large radio-telescopes will be used during 1997 to scrutinise distant star systems in the hope of finding signals that are unambiguously the product of an alien technology rather than any natural process.

The overwhelming odds, however, are that there will still be no proof in a year that life exists anywhere else in the universe.

Will I have to buy a modem?

Paul Taylor writes: Personal computer users without a modem connection to the Internet are likely

to feel increasingly isolated over the next 12 months as the rush to get online gathers pace. The Internet has been transformed over the past two years from an academic and computer hobbyist's playground into a new communications and distribution medium, an online shopping mall and a huge virtual library packed with useful - and useless - information.

For the moment, e-mail and the electronic chat rooms of the commercial online services such as CompuServe and AOL remain the main reasons why consumers

are buying modems and going online. However, powerful search engines such as Yahoo! and AltaVista allow the ordinary PC user to find information on the World Wide Web on anything from an apple pie recipe to scientific data about the climate of the south Pacific.

The case for buying a modem will become even more compelling in 1997. Banks are preparing online services that will enable consumers to conduct much of their banking business from their home PCs. Consumer companies such as Virgin are preparing to launch Internet services with value-added features such as homework help for schoolchildren and teachers' notes. Other companies are already "broadcasting" news over the Internet.

Meanwhile many of the technical and security problems associated with Internet commerce are being resolved. This will make it possible to select and pay for goods and services over the Internet safely - whether the sums involved are pennies or hundreds of pounds.

Who will be leader of the UK Conservative party?

Philip Stephens writes: It will not be John Major. Barring divine intervention, the Conservatives' 18 years in office will end within the next few months. Some would like Mr Major to hang on for a time as opposition leader to limit the bloodletting of a leadership contest, but he will prefer to retire quietly to Huntingdon.

Logic would anoint as successor Mr Kenneth Clarke - the chancellor is unquestionably the most impressive figure in the cabinet. But he is a pro-European and the Tory sceptics at Westminster are beyond conventional political reason.

They will back Mr Michael Portillo, the defence secretary, or Mr John Redwood, the former Welsh secretary who challenged Mr Major for the leadership last year. Mr Michael Howard, home secretary, Mr Malcolm Rifkind, foreign secretary, and Mr Stephen Dorrell, health secretary, will also throw their hats into the ring as centrist alternatives. The result will be a lottery.

But if Labour wins the election only narrowly, Mr Michael Heseltine, the deputy prime minister and the cabinet's other big beast, is worth a modest punt.

Will Hong Kong's handover be smooth?

John Ridding writes: Hong Kong will pass smoothly back to China in July, despite clashes between the UK and China arising from the existence of parallel legislatures - one elected under governor Chris Patten's democratic reforms, one selected by a Beijing-backed committee. Business sentiment will remain buoyant.

China's formation of its new legislature has already undermined its promise of an elected assembly. Whether this commitment is upheld depends on the shape and speed of arrangements for a planned replacement. After

a honeymoon, freedom of the press and of political expression will also come under pressure.

On the economic front, self-interest and the international focus on Hong Kong will hold Beijing to its promise of autonomy. China will keep its hands off Hong Kong's capitalist system and its financial reserves.

While the Chinese central government will also seek to ensure a level business playing field, it will find it hard to restrain provincial authorities and state companies from interfering in Hong Kong. Expect some bold corporate moves by China-backed businesses seeking to expand in Hong Kong.

Will the Bosnian peace settlement hold?

Bruce Clark writes: This will be a year of increasing tension between the desire of most western governments to maintain peace in Bosnia at all cost, and the Bosnian-Muslim leadership's keenness to settle scores with the Serbs.

Violent incidents will increase, particularly around March when the future of the Brcko corridor is due to be settled, and during the municipal elections in mid-summer. The Bosnian-Muslims will test the Dayton peace agreement by staging marches home by refugees. Western peacekeepers will be denounced as guardians of ethnic cleansing unless they take the refugees' side in clashes with the Serbs. But as long as some western ground troops remain in Bosnia, these incidents will fall short of a return to all-out war.

A change of regime in Serbia, which looks increasingly likely, will leave the Bosnian Serbs even more isolated. Croatia could replace Serbia as the Bosnians' main adversary. Illness could lead to the departure of Croatia's President Franjo Tudjman, possibly paving the way for more liberal policies.

Will Africa descend into chaos?

Michela Wrong writes: The nightmare that has kept diplomats in Africa in a cold sweat for decades is becoming a reality. Zaire could fall apart - destabilising the central equatorial region of Africa.

The effortless rebel seizure of the east of the country will encourage neighbouring countries to make a grab for other parts of the country that are rich in oil and diamonds. If outsiders fail to tear the country apart, the generals probably will, as was the case with Mobutu Sese Seko, president since 1965. Squabbles over the succession could set the various army factions against each other, eliminating the last barrier holding Zaire back from complete chaos.

The disintegration of Zaire would have consequences across the centre of Africa. Instability would jeopardise the peace process in Angola, threaten Uganda's economic recovery and fuel strife in the Central African Republic and Burundi.

The latter looks set to continue its headlong lunge to partition. Boycotted by its regional neighbours, the Tutsi minority government has nothing to lose by trying to wipe out the Hutu majority. Following the clumsy climbdown from intervention in Zaire, the international community - France, perhaps, excluded

- will do anything to stay out of Africa.

What will I see at the cinema?

Alice Rawsthorn writes: 1996 was the year when digital special effects came of age in the cinema, with the exploding White House in *Independence Day* and the flying cows in *Twister*. Next year disaster films seem set to make the maximum use of the new effects.

Hollywood has a string of expensively produced disaster pictures in the pipeline, starting with *Dante's Peak*, a Universal production starring Pierce Brosnan, which opens in North America in February. This will be followed by *Volcano*, a 20th Century Fox film with Tommy Lee Jones as its lead; *The Flood* from Paramount; and *Titanic*, an underwater epic by James Cameron, the *Terminator* director.

The production budget for *Dante's Peak* is reportedly more than \$115m and *Volcano* - which includes a scene in which Los Angeles is destroyed - cost more than \$70m. The studios will speed at least \$30m promoting each picture in the US alone.

Will Japanese exporters bounce back?

William Dawkins writes: Yes. After falling slightly in the first half of this year, Japanese exports rose 7.5 per cent in the six months to December. Growth is expected to accelerate to 8.3 per cent next year, according to the OECD, and to 9.5 per cent in 1998.

Car companies are leading the way. In November their exports were 30 per cent above the level a year before; they were followed by electronics companies, up 13.5 per cent in the same month.

If the OECD is right, Japan is leading for its best export growth since 1969. It will also register the fastest rate among the seven richest countries next year and in 1998.

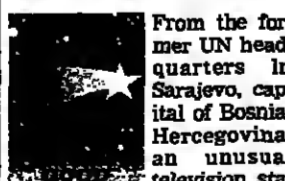
The OECD is right to be bullish about Japanese companies' export prospects. They are helped by a weak yen which is unlikely to strengthen significantly, given the slowdown in the domestic economic recovery. Moreover, the top exporters have made such competitiveness gains that they would keep bouncing back even if the yen recovered.

Will oil prices be higher at the end of 1997?

Robert Corzine writes: Mundane as it sounds, much depends on the weather. Cold snaps in the US and Europe have been one of the main reasons behind this year's rise in oil prices to six-year highs. A return to "normal" weather patterns in the northern hemisphere would probably push prices down.

Even with bad weather, any rise could be shortlived. The world is not short of oil - and nor is the industry short of cash to develop new fields after a bumper year for most oil companies. The costs of new field development are falling fast, thus encouraging even greater investment in new capacity.

Another bearish factor is that Iraqi crude is now back in the market, albeit in limited quantities. But there is also no shortage of political instability in many big oil-producing countries.



From the former UN headquarters in Sarajevo, capital of Bosnia-Herzegovina, an unusual television station beams the evening news across the scarred landscape.

In a land where the electronic media were used to divide communities and stir up war, TV-in broadcasts to Bosnian Muslims, Serbs and Croats with the aim of bridging the divisions.

Free of political control and with international backing, it is the only television station in the former Yugoslav republic that regularly reports from both sides of the former frontlines.

"We try to do stories everyone can relate to - about economic and social problems and war invalids," says Mr Kosta Jovanovic, news editor at TV-in. "Everyone has these problems no matter where they live in Bosnia."

TV-in is the hub of a network of four small stations founded during the war when Bosnian cities were cut off from each other. The other affiliates are in Mostar, Tuzla and Zenica, the

Reprogramming a country for peace

Laura Silber tunes into the Bosnian television network born of the war and broadcasting for unity

main cities in the Muslim-Croat Federation. They are linked in the Open Broadcasting Network (OBN), established with the aim of dissolving the borders among the three communities as part of the Dayton peace accord signed a year ago.

The project is based on the formula of an American network, with affiliate stations carrying their own local programming alongside the programmes of the central network.

TV-in does not try to recreate the Bosnia that existed before the war, but it hopes to create a new Bosnia in people's minds and on the airwaves that will break down artificial barriers and information blockades," says Mr Michael Montgomery, a US journalist who was a consultant on the project.

To prepare the climate for last September's free elections, the network was supposed to be broadcast throughout Bosnia - in Republika Srpska, the Bos-

nian Serb entity, and in the federation.

Some \$11m (£6.5m) was raised from the European Union, the US, Japan and the Open Society Institute founded by Mr George Soros, the Hungarian-born American financier.

But creating an independent television has been difficult. In Bosnia, each attempt to weld the country's two halves into a loose union, as outlined by the Dayton accord, becomes a tug-of-war between the rival leaders and international mediators.

In Serb and, in particular, Croat-held parts of Bosnia, the authorities were loath to relinquish their control over broadcasting - despite commitments to freedom of the media from the presidents of Serbia and Croatia.

This in turn created opposition in the Muslim-led Bosnian government, which already allowed television coverage to be far more balanced than its Serb and Croat counterparts. "Why

should we support the Open Broadcasting Network when nobody else is?" asked a Muslim official.

So great was opposition that the Bosnian government last summer rejected a \$3m World Bank loan custom-made for state television rather than endorse the network.

These obstacles were accompanied by disagreements among the affiliates and with the international advisers over who controlled the network, the editorial approach and finances. The network seemed doomed to failure. A team of American consultants was hastily despatched to Sarajevo to salvage the project.

A week ahead of the September 14 elections, TV-in made its debut - too late to affect the outcome of the poll and covering less than half the country. It was beamed via satellite to its affiliates in the Muslim-Croat federation. Viewers in Banja Luka, the biggest Bosnian-Serb town, could



On camera: Kosta Jovanovic (left) and Benjamin Filipovic, the station's creative director

watch only because the Nato-led peace force had installed - and was keeping guard over - a transmitter.

It took months to find a suitable partner in Republika Srpska, where a small group of local reporters, guided by foreign experts, has now founded a bureau.

Those involved in the network believe the Serb station needs to shape its own identity to gain the trust of the inhabitants of Republika Srpska.

"It is a miracle the station is actually alive and off the ground," says an international official.

The central network now has an air of a real TV station. Young journalists, many of whom received on-the-job training from western reporters, including

They may try to switch from satellite to less costly land links.

"It took some time to strike a balance between foreigners and Bosnians," says the network insider. "The outsiders want control because they have put up the money and have their political goals, but for the station to survive the Bosnians themselves need authority and responsibility for its destiny."

The network's experience underscores the difficulties of implementing any attempts to link the two entities - from something which seems as insignificant as vehicle licence plates to something as important as political structures.

Bosnia's rival authorities earlier this month gave a firm commitment to provide the legal framework for the network to continue operating throughout the country. If all goes well TV-in will finally reach all Bosnians.

Maybe next year Mr Jovanovic's mother, who lives in the Serb-held town of Testic, will be able to watch the network. For the time being, says Mr Montgomery, "it is the only Bosnia-wide project that has seen even a modicum of success".

UNIT TRUSTS

WINNERS AND LOSERS

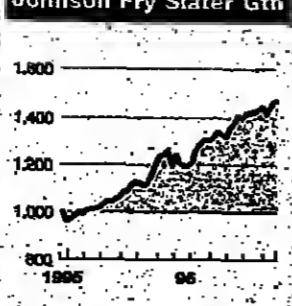
TOP FIVE OVER 1 YEAR

Johnson Fry Staler Gwth	1,468
Jupiter European	1,336
Gartmore UK Smaller Companies	1,336
HSBC Hong Kong Growth	1,324
NatWest UK Smaller Cos	1,321

BOTTOM FIVE OVER 1 YEAR

Old Mutual Thailand Acc	539
Save & Prosper Korea	570
Baring Korea	607
Schroder Seoul	630
Save & Prosper Southern Africa	683

Johnson Fry Staler Gwth



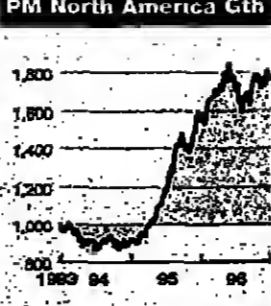
TOP FIVE OVER 3 YEARS

Hill Samuel US Smaller Cos	2,123
Proflite Technology	2,016
Gartmore UK Smaller Companies	1,808
Jupiter European	1,764
PM North America Growth	1,761

BOTTOM FIVE OVER 3 YEARS

Save & Prosper Korea	450
Save & Prosper Far East Sm Cos	544
Schroder Seoul	575
Old Mutual Thailand Acc	582
Gartmore PS Emerging Markets	597

PM North America Gwth



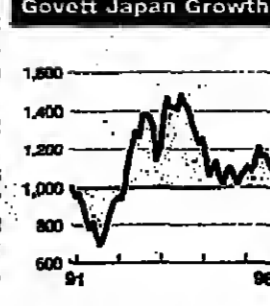
TOP FIVE OVER 5 YEARS

HSBC Hong Kong Growth	4,222
Proflite Technology	4,124
Gartmore American Emer Gth	3,990
GT Orient Acc	3,740
Perpetual American Smaller Cos	3,472

BOTTOM FIVE OVER 5 YEARS

Swirel Japan Growth	837
Friends Prov Japanese Sm Cos	858
Baring Japan	879
Fidelity Japan Smaller Cos	903
M&G Japan & General Acc	911

Govett Japan Growth



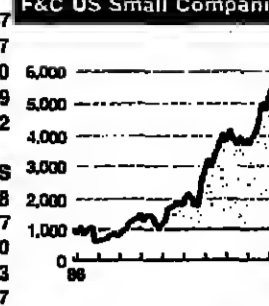
TOP FIVE OVER 10 YEARS

Hill Samuel US Smaller Cos	6,947
Gartmore American Emer Gth	5,907
Proflite Technology	5,890
F&G US Small Companies	5,589
HSBC Hong Kong Growth	5,482

BOTTOM FIVE OVER 10 YEARS

Baring Japan	708
Mercury Japan	777
M&G Japan & General Acc	820
Waverley Australian Gold	883
Capel-Cury Japan & Gen Inc	887

F&C US Small Companies



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance. Source: HSW (01625 511311)

Indices

Index	1994	1995	1996	Volatility	Yield	
Average Unit Trust	1094	1136	1050	2485	3.8	2.8
Average Investment Trust	1050	1126	1022	2528	5.0	4.8
Bank	1039	1112	1027	-	-	-
Building Society	1032	1114	1036	1893	0.0	3.3
Stockmarket: FTSE All-Share	1154	1219	1045	3362	3.3	3.8
Inflation	1022	1087	1136	1541	0.4	-

UK Growth

Trust	1 year (%)	3	5	10	Volatility	Yield
Jupiter UK Growth	1146	1640	2276	-	3.7	1.8
Johnson Fry Staler Growth	1468	1574	2374	-	3.9	0.5
River & Mercantile 1st Growth	1200	1528	-	-	3.2	1.4
Credit Suisse Fellowship Inc	1139	1494	-	-	3.6	1.1
Sanwa UK Growth	1160	1474	2094	-	3.6	1.8
SECTOR AVERAGE	1097	1242	1906	2648	3.5	1.9

UK Growth & Income

Trust	1 year (%)	3	5	10	Volatility	Yield
Family United Charities	1158	1325	1927	3183	3.1	2.2
Perpetual Income	1082	1318	2367	3178	3.2	2.9
Mercury UK Equity	1110	1315	2110	3809	3.4	2.4
Fleming Select UK Income	1145	1313	1931	2908	3.4	3.1
Proflite UK Blue Chip	1136	1309	2094	-	3.5	3.1
SECTOR AVERAGE	1080	1185	1821	2807	3.4	2.9

UK Smaller Companies

Trust	1 year (%)	3	5	10	Volatility	Yield
Gartmore UK Smaller Companies	1338	1808	2183	2861	3.8	0.2
Lawrence Keen Smaller Cos	1240	1759	-	-	3.4	1.2
AES Smaller Companies	1190	1887	2294	-	3.5	0.9
INVECO UK Smaller Companies	1192	1857	2472	2911	4.5	1.3
Credit Suisse Smaller Cos Inc	1129	1833	2278	4295	3.7	0.9
SECTOR AVERAGE	1106	1287	1838	2612	3.5	1.5

UK Equity Income

Trust	1 year (%)	3	5	10	Volatility	Yield
Jupiter Income	1159	1571	3114	-	3.4	4.2
GT Income	1150	1336	2474	3781	3.4	4.0
River & Mercantile 1st Income	1106	1373	2091	-	3.4	4.2
BWD UK Equity Income	1134	1367	2027	2603	3.4	3.9
Lazard UK Income	1110	1322	2107	3818	3.3	5.0
SECTOR AVERAGE	1089	1160	1875	2826	3.3	4.7

UK Equity & Bond Income

Trust	1 year (%)	3	5	10	Volatility	Yield
Proflite Extra Income	1103	1269	1989	2903	3.0	4.5
Baillie Gifford Conv & General	1008	1178	2137	2241	3.0	4.2
N&P Higher Income	1108	1167	2023	3166	3.0	4.2
Edinburgh High Distribution	1058	1134	1838	2335	3.7	4.5
CIS UK Income	1051	1126	1784	-	2.9	4.3
SECTOR AVERAGE	1042	1084	1720	2384	2.8	5.6

UK Eq & Bd

Trust	1 year (%)	3	5	10	Volatility	Yield
BWD Balanced Portfolio	1136	1404	2174	-	3.7	1.3
NPI UK Extra Income Inc	1093	1280	2294	-	3.0	2.9
Perpetual High Income	1074	1268	2385	-	2.9	3.5
Credit Suisse High Income Port	1058	1243	2218	-	3.1	4.2
Canlife Income Dis	1100	1180	1843	2501	2.8	3.7
SECTOR AVERAGE	1093	1178	1821	2772	3.1	3.5

Gift & Fixed Interest

Trust	1 year (%)	3	5	10	Volatility	Yield
Abnvest Fixed Interest	1118	1194	2087	2848	2.4	9.0
Thornion Preference Inc	1038	1168	1778	2395	1.9	8.8
Edinburgh Gift & Fixed Int Inc	1017	1158	1855	-	1.7	8.3
Handerson Preference & Bond	1087	1125	1884	2237	1.8	8.3
Abbey Capital Reserve Acc	1038	1122	1918	2215	0.3	4.8
SECTOR AVERAGE	1094	1038	1448	2154	2.0	8.7

International Equity Income

Trust	1 year (%)	3	5	10	Volatility	Yield
Martin Currie Int'l Income	1037	1128	2118	-	3.1	3.4
GT International Income	1008	1123	1968	2642	2.8	3.0
M&G International Income	1016	1109	1980	2533	2.6	4.8
GEM Dolphin Int'l Gth & Income	1020	1100	1788	2002	3.0	2.6
Mayflower Global Income	878	1030	1778	1879	3.1	4.3
SECTOR AVERAGE	1017	1084	1881	2199	2.9	3.8

International Fixed Interest

Trust	1 year (%)	3	5	10	Volatility	Yield
Baring Global Bond	1020	1081	1855	-	1.7	5.2
Old Mutual Worldwide Bond Inc	970	1081	1426	-	2.1	5.0
Mercury Global Bond Acc	980	1059	1508	-	1.7	5.3
TSS International Income	838	1041	1487	-	1.8	4.7
SECTOR AVERAGE	934	985	1380	1605	2.0	5.3

International Equity & Bond

Trust	1 year (%)	3	5	10	Volatility	Yield
Bank of Ireland Ex Mgd Growth	1080	1232	1970	-	2.7	3.0
NPI Worldwide Income Inc	1051	1231	1828	-	2.9	1.4
Cazanova Portfolio	1038	1207	1828	-	2.5	1.8
Gartmore PS Long Term Balance	1088	1185	1882	-	2.9	3.0
Fleming General Opportunities	1108	1172	-	-	3.2	4.1
SECTOR AVERAGE	1027	1102	1702	2348	2.7	2.5

International Growth

Trust	1 year (%)	3	5	10	Volatility	Yield
Proflite Technology	1018	2018	4124	5680	8.1	-
Edinburgh Growth	1080	1707	3226	-	8.8	-
Handerson Global Technology	948	1576	2912	4885	5.7	-
Scott Equitable Technology	1048	1500	2401	4223	4.3	0.8
Save & Prosper Growth	1147	1410	2822	3800	3.7	1.7
SECTOR AVERAGE	1002	1108	1826	2307	3.8	1.1

Nth America

Trust	1 year (%)	3	5	10	Volatility	Yield
Hill Samuel US Smaller Cos	1253	2123	3308	6647	5.2	-
PM North America Growth	1062	1761	3220	4347	4.8	-
Friends Prov American Sm Cos	1052	1720	3106	3695	5.3	-
Edinburgh N American	1159	1717	3081	3299	3.3	0.6
Gartmore American Emer Gth	1199	1968	3990	5307	5.8	-
SECTOR AVERAGE	1074	1369	2264	2933	3.7	0.5

Europe

Trust	1 year (%)	3	5	10	Volatility	Yield
Jupiter European	1355	1784	3002	-	3.5	0.8
Baring Europe Select	1282	1679	2567	2559	3.8	0.8
INVECO European Small Cos	1254	1914	2955	2537	3.5	-
Gartmore European Sm Cos	1118	1800	2633	2581	3.0	-
INVECO European Growth	1229	1583	2825	2536	3.8	-
SECTOR AVERAGE	1086	1272	2023	2281	3.1	0.8

Japan

Trust	1 year (%)	3	5	10	Volatility	Yield
Hill Samuel Japan Technology	785	1106	1432	1848	6.4	-
Martin Currie Japan	843	1039	1480	-	5.2	-
NatWest Japan Acc	791	1008	-	-	6.8	-
Schroder Tokyo Inc	808	1002	1387	2192	5.3	-
Handerson Exempt Japan	822	990	1328	1112	5.4	-
SECTOR AVERAGE	782	854	1118	1305	5.4	0.2

Far East inc Japan

Trust	1 year (%)	3	5	10	Volatility	Yield
United Friendly Far Eastern	914	1048	1795	-	3.9	0.7
GAM Far East Inc	887	988	1858	-	4.8	-
Perpetual Far East Growth	988	994	2500	3294	4.8	0.8
Friends Prov Pacific Basin	830	982	1816	-	4.7	-
Abnvest Pacific	868	981	2280	3568	4.8	0.3
SECTOR AVERAGE	910	957	1638	2224	5.1	0.6

Far East exc Japan

Trust	1 year (%)	3	5	10	Volatility	Yield
Old Mutual New Zealand	1035	1205	2615	-	4.8	2.0
Friends Prov Australian	1089	1204	2108	3385	5.2	-
HSBC Hong Kong Growth	1324	1198	4222	5482	8.5	1.0
GT Orient Acc	1295	1053	3740	-	7.2	0.1
Handerson Exempt Pacific	1017	1043	2476	2636	5.5	0.9
SECTOR AVERAGE	982	880	2505	3885	6.7	0.8

Commodity & Energy

Trust	1 year (%)	3	5	10	Volatility	Yield
M&G Australian & General Acc	1110	1351	2284	2006	8.1	2.0
M&G Commodity & General	1044	1244	2107	2873	5.1	0.2
Waverley Australian Gold	1072	1155	2781	883	10.4	-
Save & Prosper Gold & Exp'n	1107	1051	2471	1632	6.9	-
Save & Prosper Commodity	1015	1034	1938	2518	6.0	-
SECTOR AVERAGE	968	1028	2242	2983	6.8	0.5

Best Peps

Trust	1 year (%)	3	5	10	Volatility	Yield
Gartmore UK Smaller Companies	1338	1808	2183	-	3.8	0.2
Jupiter European	1355	1784	3002	-	3.5	0.8
AES Smaller Companies	1190	1887	2294	-	3.5	0.9
INVECO UK Smaller Companies	1192	1857	2472	-	4.5	1.3
Jupiter UK Growth	1146	1640	2276	-	3.7	1.8
AVERAGE UT PEP	1073	1207	1904	-	3.2	3.0

Money Mkt

Trust	1 year (%)	3	5	10	Volatility	Yield
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FT MANAGED FUNDS SERVICE

Authorised and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 674 4878 for more details.

Main table containing financial data for various unit trusts, including columns for fund names, prices, and performance metrics. The table is organized into multiple columns and rows, covering a wide range of investment funds.

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GUCCI timepieces advertisement featuring an image of a watch and the text 'FOR DETAILS OF YOUR NEAREST STOCKS, PLEASE CALL 0171 371 7775'.

OTHER UK UNIT TRUSTS advertisement listing various unit trusts and their details.

PROPERTY UNIT TRUSTS advertisement listing property-related unit trusts.

INSURANCES advertisement listing various insurance services.

Insurances, Money Markets and Other

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

Main table containing FT Managed Funds Service data. Columns include Fund Name, Price, and various performance metrics. The table is organized into multiple sections such as 'General Accident - Contd.', 'Lawrence Life plc', 'M&G Assurance - Contd.', 'Horwich Unit Life Insurance Soc. - Contd.', 'Royal Heritage Life Assurance Ltd', 'Scottish Provident Institution - Contd.', 'Sun Alliance Group - Contd.', 'Bullfinch & Co Ltd', 'Lawrence Life plc', 'M&G Assurance - Contd.', 'Horwich Unit Life Insurance Soc. - Contd.', 'Royal Heritage Life Assurance Ltd', 'Scottish Provident Institution - Contd.', 'Sun Alliance Group - Contd.', 'Bullfinch & Co Ltd', etc.

Money Market Trust Funds

Table listing Money Market Trust Funds with columns for Fund Name, Price, and other details.

Money Market Bank Accounts

Table listing Money Market Bank Accounts with columns for Bank Name, Account Name, and Interest Rate.

MANAGEMENT SERVICES

Table listing Management Services with columns for Service Name, Price, and other details.

OVERSEAS

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FT MANAGED FUNDS SERVICE

Offshore Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 874 4578 for more details.

OFFSHORE AND OVERSEAS

BERRUDA (SIB RECOGNISED)

Table listing various offshore funds under the Berruda (SIB Recognised) category, including fund names, managers, and performance metrics.

BERRUDA (REGULATED)**

Table listing various offshore funds under the Berruda (Regulated) category, including fund names, managers, and performance metrics.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under the Guernsey (SIB Recognised) category, including fund names, managers, and performance metrics.

GUERNSEY (REGULATED)**

Table listing various offshore funds under the Guernsey (Regulated) category, including fund names, managers, and performance metrics.

UNIT TRUST MANAGERS (REGULATED)**

Table listing various unit trust managers under the Regulated category, including fund names, managers, and performance metrics.

UNIT TRUST MANAGERS (SIB RECOGNISED)

Table listing various unit trust managers under the SIB Recognised category, including fund names, managers, and performance metrics.

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Advertisement for Imperial Cancer Research Fund featuring a photo of a woman and the text: 'Every day, we help thousands of people like Zoe fight cancer. Give people with cancer a fighting chance...' Includes a donation form.

MANAGEMENT SERVICES

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 673 4378 for more details.

FT MANAGED FUNDS SERVICE

Main table containing fund names, prices, and performance metrics. Includes sub-sections for 'LUXEMBOURG (REGULATED)', 'OFFSHORE INSURANCES', and 'OFFSHORE FUNDS'. Each entry lists fund names, their respective prices, and percentage changes.

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

Main table containing fund names, prices, and performance metrics. Includes sub-sections for 'OTHER OFFSHORE FUNDS' and 'THE INDIAN SPECIAL SITUATION FUND LTD'.

Advertisement for 'Need facts and figures in a hurry?' featuring 'Background Research' and 'Competitors Markets Customers'.

Continuation of the fund list table, including various international and specialty funds.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Dec 27/US\$)

Table of stock market data for North America, including various indices and individual stock prices.

EUROPE

AMSTERDAM (Dec 27/US\$)

Table of stock market data for Europe, including various indices and individual stock prices.

AFRICA

SOUTH AFRICA (Dec 27/Rand)

Table of stock market data for Africa, including various indices and individual stock prices.

ASIA

TOKYO (Dec 27/¥)

Table of stock market data for Asia, including various indices and individual stock prices.

AUSTRALIA

SYDNEY (Dec 27/A\$)

Table of stock market data for Australia, including various indices and individual stock prices.

Advertisement for Rockwell Automation, featuring the text: 'Faster time-to-market, flexibility and customer responsiveness are the key to Rockwell Automation's leadership.' and the Rockwell logo.

INDICES

Table of various international stock indices and their values.

US INDICES

Table of US stock market indices, including Dow Jones, S&P 500, and others.

AFRICA

Table of African stock market indices and data.

ASIA

Table of Asian stock market indices and data.

INDEX FUTURES

Table of futures market data for various indices.

NEW YORK ACTIVE STOCKS

Table of active stock trading activity in New York.

NEW YORK TRADING ACTIVITY

Table of trading activity for various commodities and currencies in New York.

PACIFIC

Table of stock market data for Pacific region.

Footnote containing exchange rates, market hours, and other financial details.



Festive mood supports Dow rally Wall Street advance inspires global gains

Philip Coggan, Markets Editor, looks at 1996

AMERICAS

US share prices continued their late-December rally yesterday morning, aided by a strong bond market and the sense of well-being that had settled over Wall Street during the holiday season, writes Richard Waters in New York.

Among the most actively traded companies was Computer Associates, whose shares fell steeply as the company warned that its revenues for the final quarter of the year would reach \$1bn-\$1.1bn, short of Wall Street's expectations of \$1.2bn. Although the company added that it might still reach analysts' earnings estimates, its stock had dropped by \$1.14 or 18 per cent to \$5.04 by midday.

Other technology stocks also slipped back during the morning after their recent advances. Intel gave up \$4 to trade at \$126, while IBM dropped \$1.4 to \$154.4.

Financials had a steadier morning session. Royal Bank of Canada improved 35 cents to C\$47.15.

Madrid wobbles after budget approval

EUROPE

Six bourses ended the week at all-time highs, one or two such as AMSTERDAM, by a whisker. MADRID, one of the most enthusiastic in early trading, fell into negative territory before the general index finally closed just 0.45 higher at a sixth consecutive peak of 440.51.

Elsevier, the day's most active stock, gained 30 cents to F129.10 on options-related buying. The better sentiment here spilled over into publishers generally. Wolters Kluwer rose F14.20 to F129.50 and VNU 40 cents to F136.20.

At the close the AEX index was up 5.14 at 699.09. Nordic bourses saw three new peaks. STOCKHOLM, where the Affarsvarden general index rose 19.97 to 2,377.64, got a lift from the pharmaceuticals sector; Astra, the most favoured stock for 1997 in a domestic

THE WEEK'S CHANGES

Table with columns: City, % Change. Includes London (+0.8), New York (+0.6), Tokyo (+0.4), etc.

FTSE Actuaries Share Indices

Table with columns: Index Name, Dec 27, Dec 28, Dec 29. Includes FTSE 100, FTSE 250, etc.

THE EUROPEAN SERIES

Table with columns: Index Name, Dec 27, Dec 28, Dec 29. Includes DAX, CAC 40, etc.

THE WEEK'S CHANGES

Table with columns: City, % Change. Includes London (+0.8), New York (+0.6), Tokyo (+0.4), etc.

Nikkei recovers after blue chip gains

ASIA PACIFIC

Concerns grew about TOKYO's deteriorating supply and demand conditions but some international blue chips, led by Toyota, fared well and the broad market ended moderately higher, writes Gwen Robinson.

The Nikkei 225 average gained 77.46 to 19,369.04, after moving between 19,161.11 and 19,433.04. Traders noted a late wave of interest buying by pension and trust fund managers, and continuing downward pressure from margin traders seeking cash to settle six-month transactions.

THE WEEK'S CHANGES

Table with columns: City, % Change. Includes London (+0.8), New York (+0.6), Tokyo (+0.4), etc.

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Table with columns: City, % Change. Includes London (+0.8), New York (+0.6), Tokyo (+0.4), etc.

FTSE ACTUARIES WORLD INDICES

Large table showing FTSE Actuaries World Indices for various countries and regions, including Australia, Canada, Europe, etc.

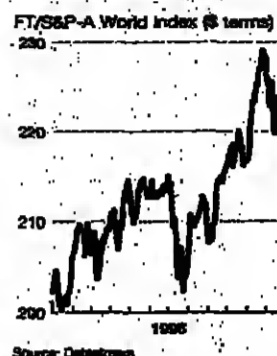
ahead through the early session, helped by a sharp strength on Wall Street and talk of a reduction for interest rates at next week's Fed meeting. The IPC index was 10,730 higher at 3,321.62 at mid-session.

SAO PAULO opened higher with investors warning to the latest inflation news plus a solid profit showing from Telebras, the state telecoms group. At 9.9 per cent for 1996, Brazilian inflation for 1996 was the lowest since 1979. At mid-session the Bovespa index was up 250 to 69,822.

At the start of December, two little words from Mr Alan Greenspan, the chairman of the Federal Reserve, changed the mood again. By referring to the possibility of "irrational exuberance" in stock and other asset markets, Mr Greenspan ushered in a period of nervousness which prompted many investors to take profits.

In a brief fifth and final phase, however, the markets shook off their Greenspan nerves and enjoyed their traditional end-of-year rally to record another set of all-time highs.

World equities



Source: DataStream

set in following forecasts of a weak Italian chemical market in 1997. At the close the MIBtel index was up 0.13 per cent at 10,501.

ZURICH ended just below its all time high, but made a wretched try, the SMI index putting on \$2.4, or 1.85 per cent at 3,922.2 after short covering was seen at the 3,900 level.

There was a brief, but sharp sell-off in the Dow and world markets fell with it. By mid-July, the FT S & P World Index was 1 per cent lower, in dollar terms, than it was at the start of the year.

Some markets refused to move with the trend. Japan had a strong first six months as hopes rose that the government's loose monetary and fiscal policies would revive the economy and thus corporate earnings.

As in Stockholm, there was strength in the pharmaceuticals sector. Roche rose SKR300 to SKR1,435, and Novartis registered by SKR24 to SKR1,509.

Europe also had a good year. The FT S & P World Index was up 14.8 per cent by December 30 in dollar terms (23.7 per cent expressed in local currencies), with a rally in the dollar helping exporters in the core hard currency markets of Germany and Switzerland.

Emerging markets also failed to match the pattern. A buoyant first half was followed by a weak second half as investors became concerned about the slowing growth rates in east Asia. The ING Barings Emerging Market Index was up 7.2 per cent in dollar terms by December 20, with Asia managing just a 6.3 per cent rise.

The overall figures masked big differences in individual market performances. Korea, Pakistan and Thailand all suffered double digit losses; the biggest profits came from Eastern Europe, where shares started the year on very low multiples and from Venezuela, where an apparent change of economic policy allowed the market to catch up with the rest of Latin America.

Written and edited by William Cochran and Jeffrey Brown

SOUTH AFRICA

Shares in Johannesburg closed higher with hotly traded industrials and golds gaining ground in quiet trading. The overall index ended up 31.7 at 6,583.1 following a rise of 21.7 to 7,815.2 for industrials.

The golds index improved on the back of a steadier bullion price, adding 6.2 to 1,496.3. Hartbeestfontein added 40 cents to R10 but Vaal Reef came off R1 to R94.00.

Wall Street, in particular, has defied the bears. There are many who felt that, after a 30 per cent plus gain in 1995, the US market was due to take a breather. It looked overvalued on a number of counts.

But investors took confidence from the "Goldilocks economy" - growing fast enough to allow corporate earnings to rise but not so strongly that the Federal Reserve was tempted to raise interest rates.

LIFFE EQUITY OPTIONS

Table with columns: Index, Call, Put, etc. Includes DAX, CAC 40, etc.

RISES AND FALLS

Table with columns: Index, Rise, Fall, etc. Includes British Funds, Other Foreign Interest, etc.

TRADITIONAL OPTIONS

Table with columns: Index, Call, Put, etc. Includes DAX, CAC 40, etc.

LONDON RECENT ISSUES: EQUITIES

Table with columns: Issue, Price, etc. Includes British Funds, Other Foreign Interest, etc.

RIGHTS OFFERS

Table with columns: Issue, Price, etc. Includes British Funds, Other Foreign Interest, etc.

FT 30 INDEX

Table with columns: Index, Change, etc. Includes DAX, CAC 40, etc.

FT GOLD MINES INDEX

Table with columns: Index, Change, etc. Includes DAX, CAC 40, etc.

FT 30 INDEX

Table with columns: Index, Change, etc. Includes DAX, CAC 40, etc.

FT GOLD MINES INDEX

Table with columns: Index, Change, etc. Includes DAX, CAC 40, etc.

FT 30 INDEX

Table with columns: Index, Change, etc. Includes DAX, CAC 40, etc.

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LONDON STOCK EXCHANGE - DEALINGS

Details of business done show below have been taken with consent from last Tuesday's Stock Exchange Official List and should not be reproduced without permission. The data is now delivered by EasTel, part of Financial Times Information.

Details relate to those securities not included in the FT Share Information Services. The prices are those at which the business was done in the 34 hours up to 5.15pm on Tuesday, they are not in order of execution but in ascending order which denotes the day's highest and lowest trades.

For those securities in which no business was recorded in Tuesday's Official List, the latest recorded business in the four previous days is given with the relevant date.

* Bargains at special prices. * Bargains done the previous day.

British Funds, etc
British Funds Ltd 2000 - 2100 1/4 % (10/95)
Conversion 9/96 2002 - 2100 1/4 % (10/95)
Eschague 1/96 2002 - 2100 1/4 % (10/95)
Eschague 2/96 2002 - 2100 1/4 % (10/95)
Eschague 3/96 2002 - 2100 1/4 % (10/95)
Eschague 4/96 2002 - 2100 1/4 % (10/95)
Eschague 5/96 2002 - 2100 1/4 % (10/95)
Eschague 6/96 2002 - 2100 1/4 % (10/95)
Eschague 7/96 2002 - 2100 1/4 % (10/95)
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Eschague 9/96 2002 - 2100 1/4 % (10/95)
Eschague 10/96 2002 - 2100 1/4 % (10/95)
Eschague 11/96 2002 - 2100 1/4 % (10/95)
Eschague 12/96 2002 - 2100 1/4 % (10/95)

Bedford & Blything Building Society 11 1/4 %
Perm Int Bearing Sls 21000 - 120 1/4 % (10/95)
Commercial Group PLC 10 1/4 % (10/95)
Commercial Union PLC 9 1/4 % (10/95)
Commercial Union PLC 8 1/4 % (10/95)
Commercial Union PLC 7 1/4 % (10/95)
Commercial Union PLC 6 1/4 % (10/95)
Commercial Union PLC 5 1/4 % (10/95)
Commercial Union PLC 4 1/4 % (10/95)
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Commercial Union PLC 2 1/4 % (10/95)
Commercial Union PLC 1 1/4 % (10/95)
Commercial Union PLC 1/4 % (10/95)

Greenwich Group PLC 8 1/4 % (10/95)
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MFC PLC 7 1/4 % (10/95)
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Corporation and County Stocks
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Listed Companies (excluding Investment Trusts)
Abbey National PLC 10 1/4 % (10/95)
Abbey National PLC 9 1/4 % (10/95)
Abbey National PLC 8 1/4 % (10/95)
Abbey National PLC 7 1/4 % (10/95)
Abbey National PLC 6 1/4 % (10/95)
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Abbey National PLC 1 1/4 % (10/95)
Abbey National PLC 1/4 % (10/95)

General Accident PLC 10 1/4 % (10/95)
General Accident PLC 9 1/4 % (10/95)
General Accident PLC 8 1/4 % (10/95)
General Accident PLC 7 1/4 % (10/95)
General Accident PLC 6 1/4 % (10/95)
General Accident PLC 5 1/4 % (10/95)
General Accident PLC 4 1/4 % (10/95)
General Accident PLC 3 1/4 % (10/95)
General Accident PLC 2 1/4 % (10/95)
General Accident PLC 1 1/4 % (10/95)
General Accident PLC 1/4 % (10/95)

Investment Trusts
British Empire Sec General Tel PLC 10 1/4 % (10/95)
British Empire Sec General Tel PLC 9 1/4 % (10/95)
British Empire Sec General Tel PLC 8 1/4 % (10/95)
British Empire Sec General Tel PLC 7 1/4 % (10/95)
British Empire Sec General Tel PLC 6 1/4 % (10/95)
British Empire Sec General Tel PLC 5 1/4 % (10/95)
British Empire Sec General Tel PLC 4 1/4 % (10/95)
British Empire Sec General Tel PLC 3 1/4 % (10/95)
British Empire Sec General Tel PLC 2 1/4 % (10/95)
British Empire Sec General Tel PLC 1 1/4 % (10/95)
British Empire Sec General Tel PLC 1/4 % (10/95)

Alternative Investment Market
Cannock Chase PLC 10 1/4 % (10/95)
Cannock Chase PLC 9 1/4 % (10/95)
Cannock Chase PLC 8 1/4 % (10/95)
Cannock Chase PLC 7 1/4 % (10/95)
Cannock Chase PLC 6 1/4 % (10/95)
Cannock Chase PLC 5 1/4 % (10/95)
Cannock Chase PLC 4 1/4 % (10/95)
Cannock Chase PLC 3 1/4 % (10/95)
Cannock Chase PLC 2 1/4 % (10/95)
Cannock Chase PLC 1 1/4 % (10/95)
Cannock Chase PLC 1/4 % (10/95)

Government
South Atlantic 9 1/4 % (10/95)
South Atlantic 8 1/4 % (10/95)
South Atlantic 7 1/4 % (10/95)
South Atlantic 6 1/4 % (10/95)
South Atlantic 5 1/4 % (10/95)
South Atlantic 4 1/4 % (10/95)
South Atlantic 3 1/4 % (10/95)
South Atlantic 2 1/4 % (10/95)
South Atlantic 1 1/4 % (10/95)
South Atlantic 1/4 % (10/95)

Foreign Stocks, Bonds etc
BAA PLC 9 1/4 % (10/95)
BAA PLC 8 1/4 % (10/95)
BAA PLC 7 1/4 % (10/95)
BAA PLC 6 1/4 % (10/95)
BAA PLC 5 1/4 % (10/95)
BAA PLC 4 1/4 % (10/95)
BAA PLC 3 1/4 % (10/95)
BAA PLC 2 1/4 % (10/95)
BAA PLC 1 1/4 % (10/95)
BAA PLC 1/4 % (10/95)

Debt Issuance
British Empire Sec General Tel PLC 10 1/4 % (10/95)
British Empire Sec General Tel PLC 9 1/4 % (10/95)
British Empire Sec General Tel PLC 8 1/4 % (10/95)
British Empire Sec General Tel PLC 7 1/4 % (10/95)
British Empire Sec General Tel PLC 6 1/4 % (10/95)
British Empire Sec General Tel PLC 5 1/4 % (10/95)
British Empire Sec General Tel PLC 4 1/4 % (10/95)
British Empire Sec General Tel PLC 3 1/4 % (10/95)
British Empire Sec General Tel PLC 2 1/4 % (10/95)
British Empire Sec General Tel PLC 1 1/4 % (10/95)
British Empire Sec General Tel PLC 1/4 % (10/95)

Overseas Borrowers
Bank of Greece 10 1/4 % (10/95)
Bank of Greece 9 1/4 % (10/95)
Bank of Greece 8 1/4 % (10/95)
Bank of Greece 7 1/4 % (10/95)
Bank of Greece 6 1/4 % (10/95)
Bank of Greece 5 1/4 % (10/95)
Bank of Greece 4 1/4 % (10/95)
Bank of Greece 3 1/4 % (10/95)
Bank of Greece 2 1/4 % (10/95)
Bank of Greece 1 1/4 % (10/95)
Bank of Greece 1/4 % (10/95)

USM Appendix
British Empire Sec General Tel PLC 10 1/4 % (10/95)
British Empire Sec General Tel PLC 9 1/4 % (10/95)
British Empire Sec General Tel PLC 8 1/4 % (10/95)
British Empire Sec General Tel PLC 7 1/4 % (10/95)
British Empire Sec General Tel PLC 6 1/4 % (10/95)
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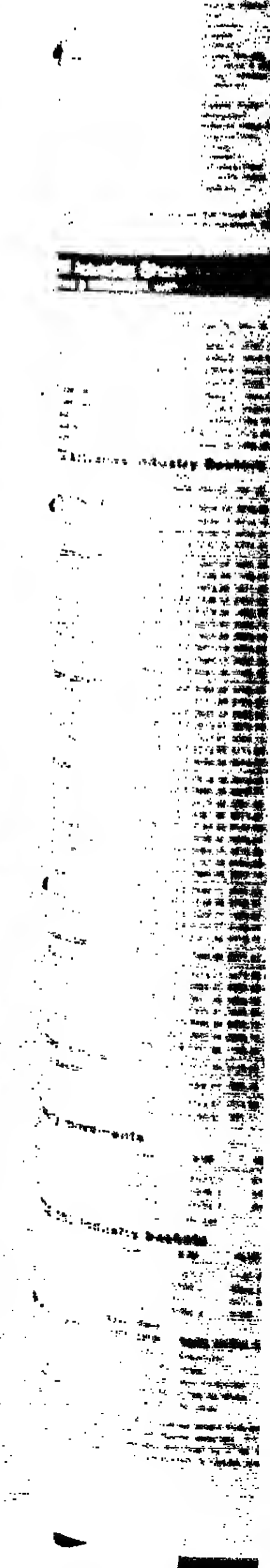
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Footsie fails to hold on to intra-day high

MARKETS REPORT by Steve Thompson, UK Stock Market Editor... A gallant attempt by the market to end the Christmas week at a closing peak failed at the final hurdle yesterday, but not before the FTSE 100 index had penetrated the 4,100 mark to establish an all-time intra-day high.

were manned by skeleton staffs, mostly those who drew the short straw in pre-Christmas rotas or those wishing to work off their seasonal excesses. Footsie ended the truncated trading session, which finished at 12.30pm, 1.5 easier at 4,091.0.

FTSE All-Share Index... Equity shares traded... Turnover by volume (million), Excluding: Intra-market business and overseas turnover

TRADING VOLUME IN MAJOR STOCKS

Table with columns: Vol. (000), Closing Day's price change, etc. Lists major stocks like Astra Group, Biffaward, etc.

EQUITY FUTURES AND OPTIONS TRADING

Table with columns: Open, Settle, Price, Change, High, Low, Est. Vol, Open Int. Lists FTSE 100 Index Futures and Options.

Flurry in tobacco boosts BT

BT was the Footsie's strongest performer with a rise of 6 to 405p backed by turnover of 11m shares, which represented some 8 per cent of the overall market volume.

CHIEF PRICE CHANGES YESTERDAY

Table listing price changes for various companies like Bodycote Int, Biffaward, etc.

NEW 52 WEEK HIGHS AND LOWS

Table listing 52-week high and low prices for various companies like Astra Group, Biffaward, etc.

FTSE Actuaries Share Indices

Table showing FTSE Actuaries Share Indices for various sectors like 10 Industrial, 15 Oil, etc.

The UK Series

Table showing The UK Series indices for various sectors like 10 Industrial, 15 Oil, etc.

BAT slips

The fortunes of BAT Industries, the hard-hit tobacco and financial services group, took a turn for the worse yesterday on the back of the latest court ruling in the US.

FT Surveys

Advertisement for FT Surveys, Asia-Pacific 1997, and International Money and Securities Broking.

Sega cuts forecast by \$41m as power games alter market

By Gwen Robinson in Tokyo and Alice Rawsthorn in London

Sega Enterprises, the Japanese electronic games group, yesterday slashed its profits forecast for the current financial year after announcing a \$30bn (\$263m) extraordinary loss on its US business and massive stock write-downs on its 16-bit game consoles.

The group, which faces fierce competition in the global market from competitors Sony and Nintendo, warned that pre-tax profits for the year to March 31 would be about ¥1bn, rather than the ¥27bn previously forecast.

Sega also expects net profits to fall below previous predic-

tions to ¥5.3bn (\$46m) rather than ¥10bn (\$87m), with sales slipping to ¥420bn from the target of ¥430bn.

The profits warning followed a midday decision by the Tokyo Stock Exchange to suspend Sega's shares after they fell by ¥50 in morning trading to ¥4,050. The news comes only weeks after the announcement in late November that Sega had returned to profits growth in the first half of this year, fuelled by strong sales of the Saturn, a 32-bit game system, and a printing machine which turns photographs into stickers and which has become a craze for Japanese teenagers.

The Saturn has since continued to sell well, despite Sony having achieved higher sales

of PlayStation, its rival 32-bit system, and Nintendo's successful launch this autumn of its more powerful 64-bit format in North America and Japan.

Mr Sbnichi Nakamura, Sega's managing director, expects to sell 1.2m Saturn machines in the US during the current financial year, against the original forecast of 1.1m, and anticipates selling 2.5m Saturns in Japan during the year and \$50,000 in Europe.

However, the popularity of 32-bit and 64-bit systems has sapped demand for less powerful 16-bit games consoles - a market also adversely affected by growing demand for personal computer games.

Mr Nakamura said sales of Sega's 16-bit machines had

fallen faster than expected. Hence the group has decided to write off ¥7bn worth of 16-bit console stocks worldwide.

Sega has also decided to take a ¥23bn extraordinary loss in the US, where the shift away from 16-bit systems has been particularly dramatic, and where the group has also been forced to spend heavily on marketing of the Saturn and to cut the Saturn's price to meet the competition.

Despite the profits warning, Sega should still achieve higher net profits than in its last financial year, when it made ¥4.2bn. The group yesterday affirmed that it plans to leave its annual dividend unchanged at the previous estimate of ¥38 per share.

Japanese budget row

Continued from Page 1

cent below its level before the budget was announced last Friday.

Mr Jeff Young, political analyst at Salomon Brothers Asia, expressed surprise that there had been so little conflict between members of the LDP government, given the size of the tax increases. But he believed Mr Sato was too late to make a substantial change to the budget, adopted by the cabinet - of which he is a member - on Wednesday and due to go before parliament late next month.

Miti and the finance ministry have traditionally differed over fiscal policy, with Miti pushing for fiscal expansion and economic growth, and its finance colleagues stressing the urgent need to curb the deficit. However, their debate has been enlivened this year by widely varying assessments of the economic outlook - reflected by a big disparity in forecasts of Japanese growth among private sector economists.

Two fight over superheroes

Continued from Page 1

Mr Perelman still in control. Under the plan, which Marvel's board backed yesterday, Mr Perelman's Andrews Group would inject \$365m of new equity, while its lenders would extend \$160m in all.

The Perelman plan has proved deeply unpopular with Marvel's minority shareholders, however, as well as the holders of its \$300m face value of junk bonds.

A bondholder group led by Mr Icahn has proposed that rights to buy 80 per cent of the stapled discount shares would be offered first to the bondholders.

South Korean unions call for general strike

By Our Foreign Staff

South Korea's main trade union group yesterday called for a general strike to last until Wednesday as industrial action intensified against the country's new labour laws.

Hospital workers joined the walk-out and there were large demonstrations in Seoul and other cities.

The strike call by the normally docile Federation of Korean Trade Unions (KFTU) means that the industrial disruption, which halted production of cars and ships this week, is set to increase, causing lost output of more than \$1bn.

Union leaders said nearly a quarter of the country's 1.5m union members had walked out by last night despite government threats of stern counter-measures against what it regards as illegal action.

The Seoul stock market index fell 1.2 per cent to 661.22, its lowest level in nearly four years. The won closed slightly

Hospital staff join protest at new labour law

the organisation used to stifle political opposition when Korea was a military dictatorship.

In an attempt to calm the situation, the country's largest employers' group said it would only use the new redundancy powers in an emergency. Mr Han Seung-soo, the finance minister, said the new law would protect jobs in the long term by making Korea's economy more flexible and competitive.

The government hopes its tough line will win support from the broader public. Concern has been growing at the weakness of Korea's economy this year after an export slowdown which is likely to see the trade deficit double to \$20bn.

The unions marked their determination with a 12,000-strong protest in central Seoul. Chanting demonstrators were immediately surrounded by thousands of riot police who barricaded the way to the parliament building.

The government also used the opportunity to pass another bill, strengthening the powers of the Agency for National Security Planning,

Lebed pledge over third political force

Continued from Page 1

using as a platform to rebuild his presidential ambitions.

During the presidential election campaign in June, Mr Lebed rebuffed attempts by other opposition politicians to form a third force. But yesterday he said voters saw the political struggle between the communists and "democrats" as a squabble within a semi-criminal regime. The new third force would compel "the bureaucratic elite to respect the interests of society and the state".

Mr Boris Yeltsin, who sacked Mr Lebed as his

national security adviser in October, has been trying to convince Russians he is again in control after his recent return to work. But although he has been speaking more clearly than before his heart operation, Mr Yeltsin still appears extremely wooden in his movements.

Mr Lebed claimed the Home and Motherland movement, which he leads, already had 86,000 members in 72 of the 89 regions of Russia and would broaden its support by forming alliances with other political parties. He suggested the movement, which represents mainly army officers, could

win support from a wide cross-section of society, including businessmen, servicemen and former communist party members.

However, political observers suggest it will be extremely difficult for Mr Lebed to create an effective nationwide political movement because of his lack of financial resources and a media blackout which has denied him much TV access.

Mr Lebed's many opponents will doubtless also try to depict him as a political opportunist who will exploit any party to further his personal ambitions.

THE LEX COLUMN

Industrial jigsaw

Buybacks, demergers, privatisations, demutualisations - not to mention an extraordinary rash of acquisitions. 1996 has been a year rich in corporate financial activity. And, in most cases, shareholders have benefited.

Demergers have been especially in vogue. Thorn EMI, Westinghouse and British Gas have chosen two-way splits, AT&T a tripartite one, Hanson a four-way division, while Hoechst is planning no fewer than six cuts - albeit with the group keeping stakes in most of them. Breaking up conglomerates normally makes industrial sense, and when the process exposes previously hidden jewels it can enrich shareholders too. But not always: with Hanson, for example, the main effect has been to expose the previous destruction of wealth.

Gearing-up balance sheets has also been a largely healthy trend. Britain's banks and utilities have embraced share buybacks and special dividends with particular enthusiasm. Groups with few growth opportunities are right to lead themselves up with cheap debt which is more tax-advantageous than equity. Next year Germany, where buybacks are being legalised, could take up the baton.

Privatisation has continued unabated. Even Britain, which has been selling state assets for over a decade, found two chunky companies to sell - Railtrack and British Energy. And the cupboard is still not bare: a brave government would privatise the BBC, Channel 4, London Underground and the Post Office. Elsewhere, with luck, the hyped Deutsche Telekom float will get Germany's risk-averse investors used to buying shares. But in France, a series of privatisations, notably of Thomson, has been botched.

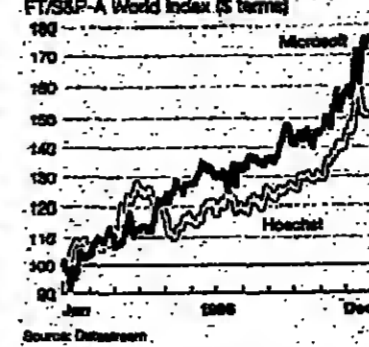
Demutualisation has taken off. AMP, the Australian insurance giant, is turning itself into a quoted company while South Africa's Sunlam is thinking of following suit. Britain's building societies and mutual insurers are converting into normal companies, as is the Australian Stock Exchange. London's conflict-ridden stock exchange should take note: demutualisation does not simply enrich members; replacing vague and often conflicting objectives with the profit motive is good for governance.

The year's simultaneous merger and demerger booms may seem a contradiction. But they are part of the same massive jigsaw puzzle:

FTSE Eurotrack 200: 1953.3 (+7.8)

Star performers

Share prices relative to the FTSE-A World Index (\$ terms)



Source: Datastream

would be enhanced if the same amount had been spent on gearing-up via a buyback.

Shareholder value

Buybacks, demergers and the like are expressions of a single philosophy - shareholder value. The notion that companies should be run in the interests of shareholders, for long considered a weird Anglo-American concept, is taking root in continental Europe, especially Germany. Daimler-Benz, in the past decade one of the world's great destroyers of value, has this year slaughtered herds of sacred cows - letting Fokker go bust and dismantling AEG. Meanwhile, Hoechst has engaged in a whirlwind of restructuring that has lifted its share price by over 80 per cent.

But even in Germany, the roots are not deep. Such has been the political backlash to "shareholder value" that Daimler now uses a German word *Unternehmenssteigerung*, which means improving the company's value.

Elsewhere, progress is patchy. Though many French chairmen pay lip-service to *le shareholder value*, the government often meddles in private-sector decisions. It was ministers who climbed down in the truck drivers' strike, which should have been employers' business.

Italy, too, has a long way to go. The Olivetti affair was at best a partial victory for shareholder activism. Mr Carlo De Benedetti did resign as chairman, but only after trillions of lire had been wasted. And international investors shied away from the confrontation that was needed to ensure a clean break with the past.

Though shareholders have too often been shrinking violets in 1996, they have chalked up some wins: P&O pulled off a couple of excellent deals after investor pressure; and shareholder disquiet pushed General Electric Company into modifying the undemanding performance element of its new managing director's pay packet.

Of course, it is much better if companies pursue wealth creation of their own accord. There is no substitute for raw competitive spirit. And the year has seen few more aggressive exponents of that than Microsoft's Mr Bill Gates. By embracing the Internet, which threatened his software monopoly, he has potentially opened up new frontiers to colonise - enriching his investors in the process.

FT WEATHER GUIDE Europe today Much of the continent will be sunny as a result of a strong high pressure system. Five-day forecast At first, cold but rather dry conditions will persist from the UK toward Russia. TODAY'S TEMPERATURES Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Verdura's Maltese Cross Cuffs have become as famous as the couturière he created them for. Was she? a. Italian b. French c. German d. French VERDURA an original worn by originals™ New York: 745 Fifth Avenue 212-265-3227 London: 13 Duke Street, St. James's 0171-930-8606 By Appointment

Vertical text on the right edge of the page, including 'An un bit play a tel revo' and 'Joe Ro M'.

Weekend FT

Last week, Sally Bowen was one of 600 hostages taken at a party at the Japanese Ambassador's residence in Peru by a guerrilla group. She tells of her role as witness and participant

An unscripted bit-part player in a televised revolution

His red-and-white bandanna bore the black stencilled initials of the guerrilla group he commanded. His dark eyes burned with conviction as he spoke of martyrdom and structural violence, of the hunger and misery of the poor and marginalised. He was consistently composed, articulate and courteous. He was the Latin American guerrilla from Central Casting, with the Kalashnikov and the clichés and the nom de guerre Comandante Huerta.

Neator Cerpa Cartolini was the Peru of the past arriving with his comrades to haunt the present. They had emerged from the jungle into the urban light of Lima, capital of an "emerging market", where the official talk is more of privatisation than revolution. We found ourselves face-to-face in an elegant downstairs reception room at the Japanese ambassador's residence.

Behind us, in the garden, was the evidence that he and his comrades had gate-crashed the party to celebrate the birthday of Japan's Emperor Akihito. The sushi buffet table was upturned, the ground littered with wine and whisky glasses dropped in haste or in fear. The Emperor's birthday party was the place to be that evening. It is a particularly important event in the Peruvian diplomatic calendar and, for the freeloader, a prima opportunity to feed on complimentary sushi and sake. Peru has the second largest Japanese population in Latin America, behind Brazil, also a destination for poor farming families at the turn of the century. But Peru has the only ethnic Japanese leader, outside Tokyo, and has been adopted by Japanese investment and aid agencies.

Government ministers,

military officers and police chiefs had gathered, along with foreign diplomats and most of the Japanese business community. By 8pm the pisco sours and saks were flowing, and the chit-chat included whether President Alberto Fujimori would make an appearance. There was the mandatory frivolous gossip and serious talk about the disappointing performance of the Peruvian economy and the sustainability of the neo-liberal model.

Then, into the midst of the neo-liberals came the old

'Don't lift your heads, they ordered, 'or they'll be shot off'. I had never felt so mortal

revolutionaries. In a matter of moments, as deafening bursts of automatic gunfire followed a large explosion, there was no doubt that we were under terrorist attack. "This is very bad news indeed," said my neighbour, overwheeled in his classic British understatement. But with bullets coming apparently from both sides of the marquee, this was no time for the stiff upper lip or dignity. We flung ourselves to the ground. All around us the elegantly dressed guests were doing the same.

Above the staccato gunfire, strangely disembodied voices announced that we were in the hands of the Tupac Amaru Revolutionary Movement (MRTA). "Don't lift your heads," they ordered, "or they'll be shot off." Eight years in Peru takes a journalist into the dangerous and the frighten-

ing, but I had never felt so mortal. On and off for about 40 minutes we remained under fire and I could not stop myself from imagining what a bullet tearing through flesh was like.

Gradually, journalistic instinct surfaced among the fear. I raised my head a little and took a first look at our new hosts. Three stalked the marquee. Covering the lower parts of their faces were vivid red-and-white bandannas, the colours of the Peruvian and Japanese flag, which contrasted with their sober dress. They were agitated, swinging their battered rifles from side to side, cursing the counter-terrorist police who continued to fire indiscriminately into the residence from outside.

"See what shits they are," shouted one of our captors. "If you die, it'll be because of them."

Although the MRTA is violent and certainly capable of killing, the movement likes to cultivate a humane image. Unlike the infinitely bloodier and cruel Sendero Luminoso (the Maoist throwbacks called Shining Path in English), its leaders have traditionally tried to spread their ideology more through persuasion than the terror of extreme brutality. They are also noted for their respect for journalists and for their intelligent use of the media.

By the time the gunfire ceased and we were ordered to stand up, rehearsing the arguments about the guerrillas' innate humanity had given me a surprising confidence and resilience. For a while, I resisted the indignity of putting my hands behind my head as ordered. It seemed too obvious a capitulation. But seeing everyone else complying, I followed.

It is said that war is nine-parts boredom, one-part action. Being a hostage is similar. For three hours, after being split up into a



ソバク・アマ ネットル パ容疑



A disguised Cerpa delivers the big screen message to passers-by in Tokyo

number of rooms, the hundreds of reception guests sat quietly, talking little, smoking, women comforting each other. There was no panic, just a strange inactivity.

Our boredom was ended from the outside. The police, presumably to harass the guerrillas, fired tear gas into

the residence, in seconds, we were all choking, eyes and throat burning. Again the guerrillas, who had brought gas masks in readiness for the obvious, delivered the usual expletives against the Peruvian police. Again, we were incited, at that moment, to second their

curse. The guerrilla "marching" our group of about 30 on a landing upstairs thoughtfully brought me a plastic bowl of cold water and gave me his fresh white handkerchief to bathe stinging eyes.

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Joe Rogaly

Millennium squanderama

Has anyone given a thought to what it really means?

Looking forward to the millennium? Forgive me for asking, but this is the season for ridiculous questions. The answer is a lemon. If you ask it in Britain. The outgoing government is leaving a curious sequel, a package of plans to spend money to promote an abstract notion. It will have to be completed by its successor administration. The scheme was devised during the vainglorious years of Tory ascendancy. Conservatives, the ones who masterminded the celebrations of victory in Europe and over Japan, think they know about lifting the national spirit.

Fate may slap these dreamers in the face, wake them up, shake them about a little. For it looks likely to be New Labour, possibly a little shopworn by then, that sings the praises of New Britain. We are deep into the troupe age. The primary source of finance for the Tory-devised squanderama is the Tory-designed national lottery. The Millennium Commission is one of

its "good causes", a term that places a veil of benevolent intent over the wicked act of enticing people who cannot afford it to buy their weekly tickets.

No one is complaining, least of all Labour. Marx was wrong. Greed, not religion, is the opium of the masses. The expectation is that some £1.6bn of lottery income will be bludged over the next three years to sustain a fantasy nurtured by Conservative ministers over the last decade. It could be more, if the life of the commission is extended to pick up bills that stretch into the next century.

It is already in for £200m, an eighth of its total expected outlay, for a throwaway dome on a derelict site. You can put any price you like on this domed scheme today - £500m, £600m, £700m, whatever. I will merely reply "British Library" and, reply "Channel Tunnel" cryptograms for "uncontrollable expenditure overruns".

No wonder the likely incoming government, the one whose ministers would

simper with pride at the opening ceremony, has insisted that the project be recast, rejustified. We are, after all, talking about a huge theme-park, with the equivalent of hospitality tents for commercial sponsors.

There are, as ever, count-

In the UK it is not clear that we know, as a nation, where we are going

er-arguments. Only part of the cost is to be met by the Millennium Commission, although that part could grow. The rest is to come from as many private companies as can be gulled into contributing, plus ticket sales and merchandising. There will be a boost to tourism.

When the dome has been reduced to a pile of environmentally friendly remains,

the Greenwich bank of the Thames will still be blessed with a station on the new Jubilee Underground line. An entire peninsula on the river will have been regenerated. Mr Michael Heseltine will beam with joy - if it is not cancelled by his Labour successor.

Let us grant all that. The same could not have been said of the Great Exhibition of 1851. That was a blatant sales pitch for the world's then leading industrial nation. The Crystal Palace, set in 19 acres of Hyde Park, did not last. The boost-for-Britain line held true, up to a point, a century later; we even have the Royal Festival Hall to show for it. Criticised in advance, the Festival of Britain is foodily remembered.

It was designed by a Labour government to enhance the postwar mood. It took the incoming Tories to do the real job, but not with the festival. Their post-1951 economic management turned the country round. It entered the age of "we never had it so good". To some of today's nostal-

gics, that is still true.

We should also acknowledge that the Millennium Commission itself is simply doing what it was set up to do. It is allocating £1bn towards tangible projects, from a national cycle network, through the creation of "community woodlands" to the erection of a fully-glazed bell tower.

Millennium money has become a pot of gold with hands from every parish reaching for it. Not all of this will be spent unwisely. Some of the individual recipients of cheques from the £200m set aside for awards will deserve them.

So what, you may ask, explains the mildly critical tone you may have discerned in the above passages? It is just that the year 2000, marking a particular number of whizzes of this planet around its sun, is either a mere ticking of the clock or a sacred date. If it is a dial on a time machine we might as well have our moment of expensive bombast on any day we choose - January 1 2000, or a year later, or on the anniversary

of the morning Christ is believed to have been born, which is probably five years earlier, or according to any calendar we can find on any database in history.

Again, it is not clear that we know, as a nation, where we are going. Are we to remain the United Kingdom, as the millennium arrangements assume, or are we headed for dissolution into England and a ring of Celtic republics? The question of our place in the European Union remains unresolved. In 1851 Britain proclaimed its acknowledged technical and manufacturing ascendancy. In 1951 it rejoiced in its determination to return to civilised life following a terrible war. In 2000-2001 we will be fiddling over changing computer dating systems, uncertain about anything.

A suitable tribute to mark the 2000th anniversary of Jesus might be the construction of a new cathedral, perhaps one that caters for all branches of the church founded in his name. So far as I can tell, none is planned.

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PERSPECTIVES

The Nature of Things

How to live longer, at least in the lab

Daniel Green on important findings about the life of cells

We could be the last generation to die. This conversation stopper was delivered by a sombre middle-aged scientist at a dinner party this month.

heal more slowly in the elderly. Many "senescent" cells do not die, but they do change. In the walls of blood vessels, for example, they seem to encourage blood cells to stick to each other.

There are two identical chromosomes in the daughter cells. The copying mechanism is a molecule that runs along the length of the chromosome reading its contents.

But there are two groups of cells in the body that keep telomeres whole through cell divisions. One group is the reproductive system, where it is vital for sperm and eggs' cells to have full-sized telomeres so that the children's cells live as long as their parents'.

There are two groups here in common: an enzyme - telomerase - that allows the telomeres to be duplicated in full.

There are worries about how telomerase can be delivered to all the cells in the body, and the realisation that it cannot help non-dividing cells, like those in the brain, eyes and muscles.

Shay says, the way forward could be through an operation to remove cells that cause disease when they become senescent. lengthening their telomeres in the laboratory and putting them back in the body.



On tour in Soweto

Mark Ashurst visits an unlikely new tourist location

The sprawling South Western Township outside Johannesburg has never been like the world's other labour camps. Nor was it meant to be.

At Winnie Mandela's mansion, he accelerates past a Mercedes nosing into the street

The late Joe Slovo, Mandela's closest white ally and former chief of the South African Communist party, was buried here in January 1995.

Sash-window specialist John Rose has doubled the turnover and profits of the Windsor-based Original Dog Jacket Company this year - and he cites the May article in our Minding Your Own Business column as one of the main reasons.

Minding Your Own Business Encouraging tale of steady growth

Clive Fewins on how some of the small companies featured have fared

success in selling the £10,000 clinker-built sailing boat he had built single-handed. Halcrow believed the future of Lakeland Wooden Boats depended on this sale.

Another company featured in the column has also outgrown its first home. Peta (UK) Ltd, of Margaret Roding, Chelmsford, Essex, has moved from the converted farm outbuilding where it started off to a larger building on the same site.

It has also been a good year for Propshop, the Cricklewood-based manufacturer of unusual and exotic props for retailers and the entertainment world, which we visited in January.

Devon Farmer John Elliot, whose range of shiny stirring machines were featured in June, has received requests for details from all over the world, including one from Australia asking if the machine would be suitable for stirring sausage skin mix.

Bit-part player in a televised revolution

Continued from Page 1 The tall, white-haired Japanese ambassador remained calm and courageous throughout. But he looked a lonely figure, shouldering a sense of responsibility for his guests.

under control, he explained the objectives of the attack to secure the release of jailed MRTA colleagues and force changes to Peru's prison policy. He argued that the government's treatment of prisoners "effectively seeks their physical and mental annihilation."

requests and demands. Programme editors seem to take no prisoners. Apart from the voracious BBC in its many forms, and a hungry FT, instant news meant calls from Tokyo, South Africa, New Zealand, Malaysia and Dublin. It seemed that every US state

become a sort of fairground. Generators for transmitters thrummed incessantly, satellite dishes of every shape and size were fixed to truck tops and vans.

minute warning to the guerrillas. Inside, the architect of the attack, the comandante, also remained unseen.

The most extravagant are adorned with sweeping arches and ornate turrets which suggest an unexpected rococo flourish. Prompted by the reflection of landscaped swimming pool in the side door of a gleaming BMW sedan, Lancelot explains that the Bavarian marque is Soweto's most sought-after chariot.

'Violence in Peru is structural and not just the action of madmen'

had a television or radio show seeking "just a few minutes of your time". When, close to exhaustion, I declined to do an interview with CNN, an incredulous producer informed me "but this is your chance of worldwide exposure".

Long before resolution, this cruel pageant had left indelible marks on its actors - including the unscripted bit-part players, who had presumed that they would always be part of the audience, but were, for once, caught in the harsh beam of the spotlight.

PERSPECTIVES

Dispatches

A little neighbourly arm twisting

Patty Waldmeir, a returning native, says there is nothing voluntary about volunteering in America

Who, but an American, would adopt a road? Other countries prefer to treat the local highway as a ward of the state. When the tarmac needs looking after, they get government employees - or prisoners - to do it.

But when local roads in the US need mending, the task falls to community groups: under the nationwide Adopt a Highway programme, roads are kept clean and passable by the local high school, the church, or the ladies' quilting club. No self-respecting road remains an orphan for long.

There is a dark side to this tale of American philanthropy, however, which is not often mentioned. Since the days of Alexis de Tocqueville, the 19th century French social historian, commentators have universally praised the almost pathological American penchant for volunteer work. De Tocqueville thought it was the heart and soul of American democracy. No one, since then, has dared to disagree.

But as a returning native -

after 20 years spent in countries which mistreat their highways - I can reveal that there is nothing voluntary about volunteering in the US. De Tocqueville may have thought that all those 19th century burgers were cheerfully associating of their own free will. But I know better: they all had neighbours. And American neighbours can teach any third world dictator lessons in despotism.

Some are more open about it than others. In Lansing, the neighbourly capital of Michigan, the sheriff periodically sends a squad car to pick up various civic-minded citizens. He locks them in a cell with a telephone and a phone book, and orders them to raise several hundred dollars in bail. They remain there until

charity fund-raising targets are met.

As befits the nation's capital, methods in Washington DC are more subtle. This year my neighbours let it be known that I would be expected to rise at 5am on Thanksgiving day and cook a 20lb turkey for the homeless.

I was given absolutely free rein in the choice of stuffing - though there were strong hints that a sausage dressing would not be amiss - and I had unrestricted control over the question of basting. I could cook the bird in a "bake-in bag", or wrap it in foil, or drape it with butter-drenched cheesecloth. Just as long as I delivered it, duly carved, by noon.

When I rose in the dead of

night, I found lights already burning up and down the street, where other volunteer captives were hard at work cooking hams, or cauldrons of soup, or rolling and produce a golden brown bird. It was the least I could do to satisfy de Tocqueville.

But de Tocqueville did not have to cook his turkey in an age of hysterical health scares. He did not have to worry about poisoning the homeless with salmonella. His morning radio show was not full of warnings about the risks of under-cooked stuffing. He did not run the risk of decimating the ranks of the homeless with bacteria.

So, inevitably, I over-cooked both turkey and stuffing and spent the rest of the day apologising to bemused homeless gentlemen for the fact that my turkey's breast was dry. They ate all without complaint, and even Ruth Long, commandant of our local block association, was charitable

enough to avoid an extended post-mortem. But I knew I would have to do better next time. And somehow, I suspected next time would come all too soon.

For Long - an elderly black lady whose own circumstances are scarcely luxurious - makes sure that everyone who lives in our block of Swann Street gets frequent opportunities to satisfy de Tocqueville. She is never sanctimonious about it, and she never hectors: she relies on good old-fashioned guilt to motivate recruits.

And because of her and millions of other relentlessly charitable individuals, American volunteerism continues to thrive. Because of them, half of American adults volunteered at least two hours a week of their time in

1995 - or at least said they did. But even if the pervasive civic culture encourages lying on this score - for who would dare admit to slothful selfishness? - the figures cannot all be fictitious. According to a recent survey, Americans donated 20bn hours of their time last year, a 4 per cent increase over 1993.

Meanwhile newspaper columnists and politicians will continue to bemoan the demise of civic America. They will continue to cite the seminal 1965 essay called *Bowling Alone*, by a Harvard government professor, Robert Putnam, which uses the decline of the American bowling league to predict the collapse of democracy as we know it.

But every now and then, someone will remind Putnam that it is as difficult to "bowl alone" as it is to play rubber bridge or chess on your own.

Someone will also remind him about adopted highways and charitable turkeys - and about neighbours. And maybe one small voice will say that, even today, de Tocqueville would be proud.

The sheriff sends a squad car to pick up civic-minded citizens

Inspired by this spectacle of muscular American virtue, I resolved to brave clammy turkey skin and malodorous giblets, to stuff, truss

Teresa Hale had warned against the raw fish when we spoke on the telephone, but assured me that otherwise, Japanese food "digests beautifully".

Hale is an expert in such things. She has just written *The Hale Clinic Guide to Good Health*, an illustrated encyclopaedia of ailments and remedies. *Migaine?* The book recommends a cup of cold tea made from rosemary, peppermint, lemon balm, sweet violet flowers and feverfew. Kidney stones? Try energy healing. Warts or verrucas? Try acupuncture. And if those remedies don't work, she can suggest dozens of others that might.

So what's wrong with the fish? I ask when we are seated at the Miyama Japanese restaurant in Mayfair.

"I think there are parasites in it. I can check with the colonic irrigators when I get back to the clinic, and phone you back this afternoon." I laughed, although it was clearly not a joke.

Nine years ago she founded the Hale Clinic, which has grown into a sprawling complementary health supermarket where 100 practitioners dispense 30 treatments ranging from acupuncture to weirder ones such as Butayko, tangent therapy and Ayurveda.

Hale certainly does not look weird. With her long bleached hair and tight fitting, shiny business suit she looks like an older, plumper version of Pamela Anderson. Neither does she seem it she has the friendly cheer you would associate with someone in marketing or PR.

But when she chose her meal it was clear that she was not so normal after all. "I'll have seaweed and cucumber marinated in rice vinegar, and then the aubergine. Do you have brown rice?" she asked the waitress. "No? Well, white rice then. You see, I'm actually not that strict about what I eat." I said I'd have the fish, and pray my colon was up to it.

Presently, Hale's first course arrived, looking like something dark and knobby in a sea of green slime. She admitted that the "viscals" could be improved on, but insisted that it tasted fine.

Is it possible to take all this diet stuff too far? I asked. If you feel healthy and happy, whatever you eat must be suiting you?

"People may think they are not doing damage, when in fact they are. You can eat healthy food, but gobble it and not digest it. I tend to eat too quickly," she said, slowly picking at her seaweed. "You should see a nutritionist who would take your history, and an acupuncturist who would know from your pulse if your liver was working properly."

One of her experts would be able to tell me what sort of food suited my stomach. Some people are advised to eat only raw food. Others should eat only cooked. "Everyone is different, and different things work for different people."

Whatever she eats is evidently doing her no harm: the two of us she looked in far better condition despite being at least 10



Teresa Hale: "We have an image of treating the rich and famous, but it's meant to be as many people as possible"

Lunch With the FT

Raw fish please, but no parasites

Teresa Hale, founder of the Hale Clinic, tries to help Lucy Kellaway appreciate the point of complementary medicine

years older. The trick turns out to involve more than just eating green slime. "I meditate every morning for half an hour, and then do some *gigong*," she explained.

Some what?

"It rouses me, and brings me down to earth. I eat well. This green tea..." she takes a sip... "is very good for your digestion. I occasionally have a *Mazma* massage if I feel tense. I rarely ever feel I have a cold coming on, but if I do I have acupuncture."

It is this casual shopping list approach to health that I find hard to appreciate. The number of remedies seems implausibly large. Take epilepsy: possible treatments include energy healing, acupuncture, allergy treatment, homeopathy and buttercup.

Polity Hale explained that I

seemed to be missing the point of alternative medicine, which is not to tackle symptoms but to achieve harmony and balance overall: if you live by natural laws you will be healthy. Thus, each of the cures is a different way of finding balance.

Then we exchange a few stories. She tells me about some miracle cures. The people whose asthma has been cured by the shallow breathing learnt from the Butayko teacher, the man who has recovered from motor neurone disease, and so forth. In return, I tell her about the lack of success of my own few brushes with alternative medicine. I discount her stories as coincidences and freaks, she discounts mine as the product of poor practitioners.

Faced with my barrage of negative remarks she continues to smile and talk about personal

choice. "You didn't like art therapy? That's fine! It wasn't right for you! You're not a visual person! You have to find out what's right for you."

"You should try Hellerwork."

One of her experts could tell me what food suited my stomach

It's very deep. It restructures your whole body."

But I protest that I don't want my whole body restructured.

Our second courses arrive, mine a pretty arrangement of yellow

and white oblongs, Hale's a mush which looks similar to the first course, only brown.

"Interesting," she declares.

Most of the people she treats at her clinic are those for whom conventional medicine has failed: sufferers from chronic fatigue, backpain, cancer. I point out that they are desperate, and suggest that as such are prepared to try anything.

She will not have it that she is encouraging patients to grasp at straws. "There is a lot more research into complementary medicine than people think. They also forget that there is a level of uncertainty in medicine in general."

Surely some things are more uncertain than others. Take Moor Therapy, which according to her book, involves smearing the body in the black oil from a stretch of

Austrian bog land. She laughs and shrugs. I ask if there are any treatments too wacky to offer.

"One woman came to see me who walks on backs. She ties ropes to a wall and then walks on backs. She had done a six-week course. I know they do this in India and it's successful, but I felt her course was not long enough."

Wa discussed the absence of any training in complementary medicine to medical school and the reluctance of most insurance companies to pay for the treatments, which at the Hale Clinic cost between £25 and £80 a session. "We have an image of treating the rich and famous, but it's meant to be as many people as possible. I hope eventually we'll be able to get National Health Service contracts."

We are each brought a tanger-

ine on a white plate. I watch as she meticulously peels off every bit of pith. "Business and medicine are not good bedfellows," she says. "You have to put the patient and their treatment first, but you have to make money too. It's very difficult to balance."

She finds the balance so hard that she has given up her former career as a yoga teacher. "It's a different energy. When you are trying to make things happen you push forward. When you are teaching meditation, you are laid back," Hale said.

I asked for the bill, and there was just time for her to invite me into the clinic to try out the new physio-acoustic chair.

She didn't phone that afternoon to tell me about the parasites. But as I was suffering no obvious ill effects I did not call her, either.

The city lights glow noticeably dimmer as you cross the Kototoki Bridge to the eastern bank of the Sumida river and enter Mukojima, one of Tokyo's few remaining traditional entertainment districts.

Down the narrow streets of the Mukojima *karyukai*, or "flower and willow world", as entertainment districts are called, quaint shops and discreet Japanese-style restaurants, shielded by high walls or plots of bamboo, can still be found among the convenience stores and parking lots that are increasingly crowding out the old Japan.

In the evening dusk, kimono-clad women hurry to work. They pass small street shrines and lanterns hanging outside the restaurants, evoking an era when men with time and money to spare would cross the river by boat to dine in style and be entertained by geisha.

To most people Mukojima - "the island on the other side" - is an exotic world, irrelevant to

Caught in an unwelcome spotlight

Michiyo Nakamoto on the bureaucrats enjoying illicit entertaining in one of Tokyo's old districts

daily life. But recent revelations that elite bureaucrats from several government ministries have been lavishly entertained at Mukojima's expensive *ryotei* - Japanese restaurants - by less than scrupulous individuals, have focused attention on the district.

Most recently the *ryotei* have been identified as the haunts of men such as Jimichi Imai, an Osaka oil wholesaler who was arrested last month for tax evasion, and Hiroshi Koyama, a self-made businessman who was arrested for bribery.

The Japanese public has been shocked to read about parties hosted by Koyama and Imai and attended by influential bureaucrats.

Nobuharu Okamitsu, the former vice-minister of the

Health and Welfare Ministry who was arrested this month for taking bribes, and Hiroaki Taya, former director of the Ministry of Finance's budget bureau, who left after revelations that he had been entertained by businessmen in the financial industry, were among countless high-ranking bureaucrats and politicians with a penchant for Mukojima.

To add to the public ire, the recent bribery scandals at key ministries have highlighted the fact that bureaucrats have been entertaining themselves and government party members at public expense. A meal at a *ryotei*, complete with sake and company of a geisha, can cost about ¥70,000 (£370) a head.

"When the Liberal Democratic party was still in absolute power, several members of my

department took LDP party members to a *ryotei* in Mukojima. We did it to please them, so that legislation we wanted to get through the Diet would not come up against problems," said an official at the Ministry of International Trade and Industry.

"I have also heard of MITI people taking officials from the finance ministry out to Mukojima. They do it because the finance ministry controls the budget."

There is widespread disbelief that in an age and city that boasts all manner of refined pleasure, Japan's elite should reveal a fondness for an area with a scandalous reputation; Mukojima is known as one of the raunchiest of Tokyo's seven "flower and willow worlds".

"Even in earlier days, Mukojima was considered lower

class, in comparison with the entertainment districts of Shimabashi or Ginza," says Kenji Kosugi, a science-fiction writer who grew up in Mukojima. Because of its location far from the centre of town, "Mukojima had to be innovative in order to attract customers". In the past, the *ryotei* of Mukojima displayed their creativity by training their geisha in the kind of skills that more self-respecting geisha would not deign to acquire.

But Mukojima has also managed, in a different way, to show its creative capacity to survive.

As the number of young Japanese women interested in becoming geishas has dwindled, the resulting drop in customers has meant that many *ryotei* have had to close their doors.

Status-conscious establishments have carried on with geisha who are accomplished in traditional song and dance, even as they have grown older and less likely to draw in the crowds.

But, nine years ago, Mukojima's *ryotei* broke with tradition by offering part-time work to attract young women unwilling to make the commitment to a nocturnal lifestyle. They were no longer required to train in the traditional arts, but simply to pour drinks, play games and provide pleasant conversation. As a result Mukojima gained a reputation as a place where young geisha could be found.

The privacy offered by its distant location was another factor in Mukojima's favour.

Japanese politicians and businessmen have a history of making deals in the privacy of a *ryotei*. For the *ryotei*, the patronage of many of its best customers depends on absolute privacy - the most exclusive do not take customers without an introduction.

As more central night spots, like Akasaka or Shimabashi, attracted younger crowds and media attention, the seclusion of Mukojima increasingly made it the choice of those wanting to clinch secret deals or, like many a disgraced bureaucrat, just have some fun out of the public gaze.

In response to the outcry, the government has compiled a code of ethics prohibiting civil servants from being entertained by those in the industries they have influence over.

The latest events are bound to effect Japan's flower and willow worlds during one of the busiest seasons. But Mukojima can be expected to produce another innovative solution for survival.

A CHRISTMAS THRILLER

Collateral Damage

A Christmas financial mystery in five parts by thriller writer Peter Tasker, Japan strategist for Dresdner Kleinwort Benson and author of *Silent Thunder* and *Buddha Kiss*.

The story so far:

Charlie hears that her colleague Piers Montagu, an investment manager, is dead. At Piers' funeral are his wife Susan, Charlie, and her assistant, Natasha.

It emerges that Piers had mysteriously made huge investments in aluminium which threaten to bring down Berwick Brothers bank.

Clues have taken Charlie to Hong Kong and a company called Lucky Snake, run by Alexander Wu, who had cultivated close links with the powerful Mitsukawa conglomerate of Japan.

Charlie manages to obtain a computer disk from Wu's house but is caught by a bodyguard dressed as a clown.

The results of the *Collateral Damage* competition will appear in Monday's FT.

CHAPTER FIVE

Charlie tried to yell, but the only sound that emerged was a gurgle. The clown shook her, hard enough to make her dizzy, then squeezed again, his thumbs digging into her windpipe. Charlie kicked and squirmed, eyes swimming, the blood pounding in her ears.

The clown forced her back against the wall, his face just inches from hers. Fluffy wig, red nose, nicotine teeth bared in a grimace. Charlie flailed at his face, and her fingernails left trails in the white gesso-paint.

The clown snarled saliva-strings and thrust a hand above his head. A throwing knife appeared in the palm. Charlie wriggled desperately, but the remaining hand had a grip of iron.

"Hoi!" A shout from nearby. Instinctively, the clown's head turned. Charlie took the moment and used it, pushing forward from the wall, sending them both reeling off balance. As they tumbled to the ground, she

Charlie switched off the phone and said: 'I don't want anyone to disturb us tonight.'

lunged with her knee, using her momentum to drive it home. The clown gave a grunt and doubled up into a ball. Charlie rolled free.

"Charlie! Are you alright?" Donald ran forward, put out a hand to help her up. Charlie staggered upright, sucking in air in huge gasps. She pointed a shaky finger at the clown.

"What's going on?" said Donald. "I've been looking for you everywhere."

Before she could summon the breath to explain, the clown jumped to his feet and charged forward, face contorted with rage. Donald grabbed his arm, swung him round, and smashed his head into the wall.

The clown gave a bellow of shock. Donald pulled him back and did it again, this time harder. The clown elumped to the ground, where he lay motionless, like a giant rag doll.

It took a few seconds for Charlie to collect herself. "That's pretty good," she croaked. "Perhaps you should try kung fu films."

Donald nodded solemnly. "I've been thinking about that," he said. "Does your bank do movie stuff too?"

"We do everything," said Charlie, picking the vegetation out of her hair.

At that moment Alexander Wu appeared at the corner of the house. He gave Charlie an icy stare, then barked at Donald in Cantonese. Donald pointed at the prone figure of the clown and muttered something that sounded vaguely apologetic. Alexander turned to Charlie.

"You again," he growled. "I thought I told you to get off my property."

"Don't worry," said Charlie. "I'm on my way. Donald has kindly offered to drive me to my hotel."

The clown gave a low groan and rolled over on to his back. Trails of blood were running over the white gesso-paint. Charlie grabbed Donald's arm and made for the gate.

Donald's Rolls-Royce was cruising through Happy Valley when a call came through on the mobile phone on the dashboard. Charlie's hand closed around it a split-second before Donald's.

"Let me take that for you," she said.

She lifted the phone to her ear. Alexander's voice was buzzing angrily.

"I'm sorry," said Charlie, stroking Donald's cheek with a forefinger. "But your brother is not available now. And he's quite capable of making his own decisions on how to spend the evening."

She switched the phone off, tossed it on to the back-seat, and gave Donald a radiant smile. "I don't want anyone to disturb us tonight," she said silkily.

That worked almost too well. Donald wanted to go straight to his apartment. It was only with great difficulty that Charlie managed to convince him that she had to pick up something essential at the hotel.

Donald waited in the car while Charlie dashed up the steps. As she rushed through the revolving door, she glimpsed him reaching round to pick up the phone. She made a single brief call, finishing it just as Donald leapt out of the Rolls.

By the time he had burst into the crowded lobby, Charlie was already hurrying out through the back exit. She raced across the blaring traffic of Nathan Road, through a warren of shopping arcades, then pulled open the door of a taxi and dived inside.

Ignoring the protests from the long line of outraged tourists, she rapped out her instructions to the driver. Her luck was in - the man had perfect English. Charlie elumped back in the seat and closed her eyes.

Twenty minutes later, she was sitting in Alan Lau's high-rise apartment, a large mug of Irish coffee in her hand. Both of them were gazing at the screen of his personal computer in absolute astonishment.



□ □ □

It was early afternoon in London when Charlie's call came through. The lordly gardener had just returned from feeding the swans. He sat on a stool in the scullery, his mud-caked boots resting on the grate, while Charlie gave a succinct account of her findings.

"You're telling me that Montagu was involved in an organised cornering operation?" he said finally.

"More or less," replied Charlie. "The trading pattern that we found on the disc suggests that Mitsukawa had been manipulating the price for years, tipping off their Chinese friends in advance. But in this kind of operation you always need a patsy - a final buyer who will come in at the top. That was the role assigned to Piers Montagu and Berwick Brothers."

"And what happens next?"

"Next, Wu's people will liquidate their positions completely, leaving us high and dry. Since the price of aluminium has completely lost touch with reality, that's bound to provoke a crash."

"Sooner rather than later. I suppose."

"After what happened today, I would say very much sooner."

The lordly gardener scratched at a chalk mark on his corduroy trousers.

"So what do you suggest we do, dammit?"

"We get there first," said Charlie crisply. "We will take a big hit on Piers' money, which is never coming back. But Wu's people and Mitsukawa haven't cleared all their aluminium positions. We will cover our losses and much more by beating them to the punch."

This is the best short-selling opportunity since the ERM crisis of '92.

The plan involved Charlie staying up all night in Alan's flat, gulping down coffee and adding considerably to the revenues of Hong Kong Telecom.

She dealt first in London and then in New York. Using a number of different brokers, she sold steadily, unremittingly, until the sun rose over the South China Sea.

She dozed for a few hours on the tiny balcony, made a

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By the end of the day, aluminium was falling to new lows. And that was just the beginning.

few calls to head office, then when trading opened in London, she was there again. She ploughed money into put options and the profits doubled, trebled - and more - as the aluminium price fell through the floor.

Later on in New York, a large buyer appeared and the market tried to rally. Charlie used the opportunity to short even more aggressively. By the end of the day, aluminium was plummeting to new lows. And that was just the beginning.

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Reuters - "Aluminium suffered its third heavy loss in a row, despite calming statements from the Association

of World Metal Users, which described the recent price action as 'purely speculative'.

Metal Newswire - "Yesterday, industrial metals were pulled down by another sharp fall in aluminium. Traders were at a loss to explain the market's response to bullish news of large inventory drawdowns."

AP - "The metal is now in free-fall," said one white-faced trader in the aluminium market. Reports of upward revisions to surging Chinese demand had zero effect."

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Early on Monday morning Charlie was sitting opposite the lordly gardener in his private office at the top of the tower. His smooth features were creased into a quizzical smile.

"This bank owes you an extraordinary debt, young lady. If it hadn't been for your efforts, we would be shutting up shop at this very moment. It would be on every front page in the world."

"It was a team effort," said Charlie modestly.

On the wall behind him was a collection of family portraits. Charlie recognised a few: his father who had organised the Bank of England "lifeboat" in 1973; his uncle who had led the City's first hostile takeover; then a few generations back, a grim-looking chap whose South American escapades almost brought down the Gladstone administration.

"Perhaps so. Still, if there is any way in which I can express our gratitude, don't hesitate and all that. For example, I suppose you know that Denis Moore is

going to be spending a lot more time with his family. If you cared to make an application for his position, it would be welcomed most warmly."

"Not really my cup of tea," said Charlie. "But there are a couple of points that you might be able to help with."

"Your wish is my command," said the lordly gardener with an airy wave of the hand.

"Well, first of all I'd like \$500m."

"What?"

Charlie enjoyed that. It was the only time that she'd seen the man looking, in one of Piers Montagu's favourite phrases, seriously gobsmacked.

"I'm planning to set up a hedge fund operation," she explained. "Something that would let me try out some rather more aggressive strategies. I wondered if the bank would be interested in using me as an outside manager."

For a few seconds, the lordly gardener studied the back of his well-manicured hands. "What a capital idea, Charlie," he said finally. "In the sad event that you were to leave us, I would certainly value the opportunity to maintain a close relationship."

"Excellent. Oh, and there was one other thing. It's rather trivial, actually."

"I'm glad to hear it."

"Your wife is on the Arts Council, isn't she? The reason I ask is that there appears to have been a small oversight in next year's funding plans."

"Often happens," nodded the lordly gardener gravely. "And easily rectified. I shouldn't wonder."

Glancing at the portraits on the wall, Charlie fancied that the one he most resembled

was the man at the very top: a bewigged bouncer who had prospered mightily from the Napoleonic Wars.

□ □ □

In a snowy garden somewhere high above the Kanto plain, the Praying Mantis lowered himself into an open-air bath of ferociously hot water.

Nodding a greeting to the bath's only other occupant, he lay back to contemplate the scene: the cluster of

Unusually, Natasha was going to miss the office party. 'It's my mother,' she explained. 'I must go.'

wooden buildings that made up the spa village, the gibbous moon, the frozen bulk of Mount Fuji in the distance. It was a fine backdrop for the annual "forget-the-year" party of the SIO Club.

Recently the club's gatherings had been getting smaller and less frequent. The graduating class of Showa 10, known elsewhere in the world as 1935, was being progressively thinned out by the passage of time. Many familiar faces had gone to meet their ancestors.

Still, the Mantis always enjoyed these occasions. They gave him an excuse to reminisce about simpler, better days when human beings could be relied on to act with total sincerity. They also

gave him a rare opportunity to talk on a *honne* basis, without pretence or reserve, to men of the same level of experience and knowledge.

"This was a difficult year," grunted the Mantis, spreading out his stick-like limbs.

"Every year becomes more difficult," said the other man. "Without a guiding hand like yours, this country would already have collapsed."

The Mantis nodded wearily. "But without your help, my efforts would come to nothing. If widely known, this incident could have serious international consequences."

The other man did not deny the compliment. There would have been no point. Partly because of his pale fleshy appearance and partly in recognition of his extraordinary powers of obfuscation he had been given his nickname: the Squid.

An ex-bureau chief at the Ministry of Finance, ex-head of the Fair Trade Commission, and ex-member of the Sumo Association's ranking committee, the Squid had spent the last 10 years as an advisor to a long-established Japanese trust bank.

It was a fortunate appointment. After the collapse of the "bubble economy", he had worked tirelessly to conceal the bank's vast holdings of bad loans and to avert any investigation into what had actually happened to the money.

"I am not a dreamer," said the Squid. "But I can understand the lure of dreams. To bring together Japan and China - the technology, the capital, the people - no force on earth could withstand such a combination of

Continued on next page

سكوا المير

mage

السنة الحادية عشر

PERSPECTIVES

Fishing

My kingdom for a salmon

Tom Fort braves the Arctic weather with a hope and a prayer for Scotland's finest

Autumn salmon fishing is not for the ill-livered. There may be days when the breeze comes softly from the south, and there is real warmth in the sun. But they are outnumbered by those of wind and rain and Arctic cold, on which life for the angler is hard.

time day, I snapped at it. Before that day, though, there were two other days on a river I had hardly heard of, the gift of another generous chum. The river was the Teith, which flows down by Callender and Doune to the Firth of Forth. It is a gallant piece of fly water, the loveliness of whose valley was something of a surprise in an otherwise unremarkable stretch of country.

fine, long sweep of water with just the right depth and weight of current to work a fly properly. Not that I caught anything in it. My friend, however, did, with a regularly which even now perplexes me. He had little to distinguish him from the rest of the pack, except that he fished intently but not obsessively. His casting was efficient, but not outstanding. You would not say that he resembled an expert.

fish in pretty much the same way, and never got a touch. Our successful friend, however, being a fine fellow, was properly apologetic about the mystery. Together, he and I motored down to the Tweed, where we were astonished and disconcerted

to be informed by our host - "a man of notably pessimistic outlook" - that conditions were well nigh perfect. The water had been high, but had come down to an ideal height. Fish had been showing in numbers. The harvest was ready to be brought in.

from a boat, a boat which had to be held in the teeth of the gale by the strength of a man - for tradition runs deep here, and they scorn conveniences like engines. The man for me was Malcolm, the head ghillie, one of Coldstream's toughest and finest. If I was game so was he. But was I? I looked out at the foam-topped waves, heard the roaring of the trees, and had my doubts. But how could I back out, with dignity intact?

cursed, back, wrists and shoulders protesting. I occasionally, very occasionally, delivered the fly to Malcolm's satisfaction. As for him, I do not know how he did it; nor how he found the breath to berate me genially for my ineptitude. He was stretched to the limit to keep the heavy wooden craft steady as we came down to the lies. Underneath his coat, he was damp with sweat to the skin.

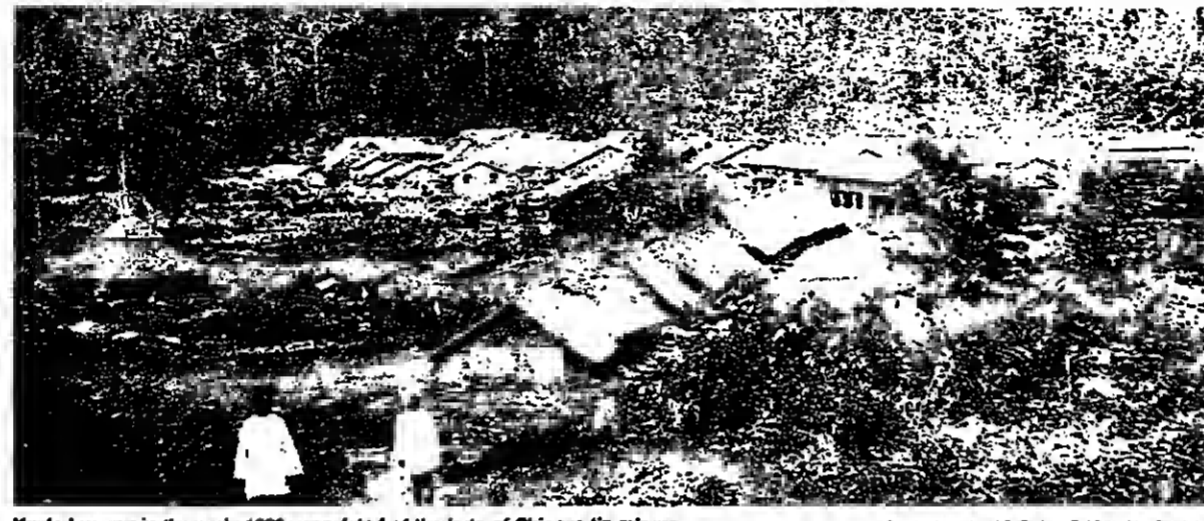


fish in pretty much the same way, and never got a touch. Our successful friend, however, being a fine fellow, was properly apologetic about the mystery.

Schemer who shaped Malaya

The biography of Sir Frank Swettenham suggests much is unchanged in 100 years, says Philip Bowring

Kuala Lumpur: The topping out of the world's tallest building has placed this city in the global consciousness. Paris may be more beautiful, Cairo more ancient, New York more vibrant, but the twin 88-storey, 450m towers of the Petronas Centre have handed to Malaysia's capital a record held for a century by America. It also intends to have the world's longest building, snaking along the muddy, tin-rich river which helped to give the city its name and fortune.



Kuala Lumpur in the early 1880s consisted of the huts of Chinese tin miners

Notwithstanding that Guinness is brewed here, this headlong pursuit of places in the Guinness Book of Records may be surprising to those whose vision of Kuala Lumpur is of a green, unburied, garden city. Actually, despite traffic jams and bouts of pollution it still is - at least compared to its Asian mates such as Manila, Bangkok, Jakarta.

his nation. But to those of a historical bent it is also a reminder of how far Malaysia has moved, not just during Mahathir's 15 years, not even since independence in 1957, but since a 21-year-old Frank Swettenham arrived in Kuala Lumpur in 1872.

of modern independent states. But a timely reminder has come in the publication of the first full-length biography of Sir Frank Swettenham. Between his arrival in Singapore in 1871 as a junior official in the Straits Settlements and his departure as governor in 1903, Swettenham was the dominant colonial figure in forging the political entity of Malaya.

returned to Malaya after 1903, he remained active in its affairs from London as an investor in rubber plantations and as a thorn in the side of the Colonial Office until his death in 1946, aged 96.

Barlow's 780-page study of Swettenham suggests many things have not changed on the Malay peninsula in the past 100 years. Dubious commercial deals, sex galore, official arrogance, endless politicking and much partying go together with boundless optimism, immense energy, an explosion of development and the subordination of racial antagonisms to the pursuit of general prosperity.

another man. He failed in his first attempt to divorce her, but finally succeeded, when she had been committed as insane. At one level Swettenham was an archetypal colonialist. He pushed for encroachment by the British on the affairs of the Malay sultans and furthered British and immigrant Chinese commercial interests at a time when tin was a boom metal and plantation agriculture offered boundless opportunities.

The conversion of what was the city's racecourse into the world's tallest building is a monument to the drive of Malaysia's prime minister, Dr Mahathir Mohamad, to industrialise

It may be politically incorrect to mention the role of colonial rulers in the destiny

Although he never

Another name linked to Swettenham does survive - the Highlands and Lowlands plantation group of which he was a founder. It also forms the connection between Swettenham and his biographer, Henry Barlow, son of

Barlow includes much hitherto unknown detail about the scandals of Swettenham's personal life, particularly involving his popular, but highly-strung first wife - Sydney. Both parties were promiscuous and she had a still-born child by

Modern Kuala Lumpur is a tribute to Malay as well as Malaysian advance, to Malay progress without colonial administrators or immigrant Chinese gang bosses. In spite of the sometimes stern admonitions of Dr Mahathir and occasional intrusions of religious zealots, it is a relaxed and eclectic place in a way that perhaps only truly multicultural cities can be. Sir Frank and Kapitan China would feel at home.



Sir Frank Swettenham helped transform the peninsula

A CHRISTMAS THRILLER

Collateral Damage

From previous page

power. The arrogance of westerners would be broken for ever."

"Dreams fade at this coming of daylight," said the Mantis, his bones tucked under his bony chin. "This joining of power that you mention may happen or not. We must weigh the balance of advantage step by step. Irresponsible acts must certainly not be allowed to risk all that has been achieved."

"And what happens to the dreamers when their dreams are broken?" "They must be broken too. With great discretion, of course."

The two men fell silent. After a while the Squid hauled his rubbery limbs out of the bath. His wooden sandals went clip-clopping up the path, leaving the Mantis alone with his thoughts.

Bloomberg - "After 10 days of turmoil, an uneasy calm returned to the LME yesterday. Aluminium was quiet, and traders reported little interest on either the buy or the sell side. 'It looks like the panic is over,' according to one nervous trader."

sion have resulted in an increasing number of 'karoshi' deaths among Japanese salarymen.

Unusually, Natasha was going to miss the office party the next day.

"It's my mother," she explained to Charlie. "She's had some kind of a fall. I have to go back to Moscow."

"Oh not I do hope it isn't anything serious."

"Ma too!" said Natasha, heaving a sigh.

"Anyway, I've got to go straight away. I'm on the four o'clock flight."

She looked paler than usual, seriously rattled in fact. A hug, a peck on each cheek, then she was rushing out of the dealing-room, leaving nothing behind but a cloud of Chanel No.19.

And also one other thing. A scrap of paper on the floor that she must have dropped when stuffing travel documents into her handbag.

Charlie picked it up. There were a few words in Natasha's scribbled handwriting - a hotel name, a room number, a phone number. Charlie ran to the window.

There was Natasha down below, arm in the air to hail a cab. Charlie above the window open and was just about to shout down into the roar of the traffic when suddenly something clicked in her memory. She glanced at the scrap of paper again to be sure.

At nine o'clock the next morning, Charlie was on a flight above the North Sea, the FT on her lap. She skimmed through the news. Commodities markets were finally stabilising. Ken and Eddie couldn't agree again, and Lex was still bearish on sterling. In China, the son-in-law of a top party official had been arrested for unspecified "anti-patriotic activities."

In Japan, Mitsukawa Construction was being investigated for bid-rigging, executives of Mitsukawa Department Stores were

Natasha peered through the peep-hole at Charlie's bowed head, then undid the chain

reported to have made large pay-offs to organised crime groups, and Mitsukawa Electric Industry had been ordered to recall half a million "potentially hazardous" air-conditioning units. All in all, not a good day for the Mitsukawa group.

Europe. She remembered the place well from the high-yield bond conference that she had attended there three years ago. It had a sumptuous Art Nouveau decor, including some of the finest Jugendstil stained glass in Europe. One of her colleagues had accompanied her on that trip. He had made jokes after joke about the blue movies on the pay-TV system.

"Miss Natasha Orlov?" said the young desk-clerk in perfect Euro-English. "Yes, she checked into one of our suites last night at 10 o'clock. Shall I call up to the room for you?"

"That won't be necessary, thank you," said Charlie, and made for the lift.

At the third floor, the splendid wrought-iron door slid open to let in a young waitress. She was wearing a rather coquettish lace hat and pushing a trolley loaded with food and drink: two bottles of vintage champagne, caviar and blinis, a basket of croissants, also a copy of the Daily Mail.

At the 10th floor, the waitress held the door for Charlie, then pushed the trolley out into the corridor. Charlie waited for her to pass.

"You're going to number nine-one-nine, aren't you? That's my room. Let me take that thing for you."

The waitress looked dubious. "I'm sorry Madam, but our rules say..."

Charlie produced a 100 guilder note and slid it without resistance into the waitress's top pocket. Then as an afterthought: "I wonder if I could borrow that cute hat too. It's our honeymoon, you see."

She smiled brightly and took another 100 guilder note from her wallet. The

waitress gave a little giggle. "Ah yes. In Holland we understand such things."

Charlie slipped on the hat, then pushed the trolley down the corridor, giving it a good rattle when she arrived at room 909. She knocked on the door.

"Wait a moment," said Natasha from the inside. She peered through the peep-hole at Charlie's bowed head, then undid the chain. Charlie wheeled the trolley inside. Piers Montagu was lying on the bed in a white flannel dressing-gown watching an Oasis video on MTV.

He didn't even look up until Charlie bustled the trolley against the wall.

"Hello, you bastard," she said.

Piers sprang to his feet at the sound of her voice. Then he sat down again on the bed, a smirk of little-boy triumph spread across his face.

"Yo, Charlie," he said in his plummy accent. "Merry Christmas, kid."

"I don't get it," said Amos. "Whatever possessed him to do something like that?"

Charlie flitted a walnut between the silver jaws of a nut-cracker. "The same as what motivates all investors - fear and greed. The whole thing started when Piers was a warrant trader in Tokyo in the late eighties. He got caught mis-pricing trades for a big corporate client and diverting the profits to his personal account."

"And that client was a Japanese trading house?" The walnut shattered with a sudden crack. "That's right. Mitsukawa realised something fishy was going on and called him in. Piers begged them to hush it up,

which they did. Then six years later they needed someone to help out with a little money-laundering scheme. Piers had no choice but to agree."

Charlie handed Amos the plate of mince pies and smiled encouragingly. She had asked her mother for the recipe the night before.

"That's fair, I suppose," Amos said, lifting a pie from the plate and gazing at it. "What about the greed?"

"Ah - that was Piers' one stroke of genius. He knew that disaster was looming, and he reckoned he could

would have stood to collect at least £20m."

"£20m?" mused Amos, nibbling tentatively at the crust. "That would buy quite a few Henry Moores, now?"

"But first of all he needed to disappear," went on Charlie. "So he made Susan get the right sort of body from the teaching hospital where she worked. Then they dressed it up in his own clothes, set the fire around it, and Susan was there to identify it the next day. All very neat."

"Charlie, you're a genius. How did you work all that out?"

"He told me most of it himself, and Natasha told me the rest. You see, when the bank survived the aluminium crash, Piers' £20m pay-off went up in smoke. He got in touch with Natasha to find out what was going on. When she told him, he knew he had to come up with a Plan B pretty damn fast."

By now Amos was chewing his pie with honest enthusiasm. Apparently he had never tasted one before in his life. Given Charlie's rudimentary pastry-making skills, that was just as well. "So what was his Plan B?" he mumbled, mouth full.

"To milk the situation for everything he could. He'd already been on to Cliff Maxman, the public relations fellow. According to Piers, they discussed a book serialisation in the Sunday Times, a docu-drama deal on Carlton TV, an interactive CD-Rom. God knows what else. Meanwhile his lawyers have been working on a temporary insanity defence."

told him that he'd better keep his head below the parapet for the foreseeable future. Or else he would have problems of an extremely structural nature."

"Meaning what, exactly?" "Meaning that some powerful people in east Asia would be given the full story. And seeing how they silenced the nixie, that was no idle threat. In fact it rather spoiled his Christmas, I fancy."

Amos gave a grunt of approbation and dabbed at the last crumbs with his finger. Just then the telephone rang. Charlie picked up the receiver and handed it to Amos. Then she watched as his bemused expression was replaced by a huge smile.

When he put the phone down, he gave a whoop of delight and lifted her in the air by the waist.

"Has something happened?" asked Charlie, innocently.

"That was gallery I told you about. They're going ahead with the exhibition after all!"

Charlie smiled. "That's wonderful news. You're on your way, Amos. Ninety-seven is going to be the breakthrough year for you."

"No, it's going to be the breakthrough year for us," said Amos, his eyes alive with excitement. "I mean, what's the point in waiting any longer?"

"Waiting for what?" said Charlie. She had a good idea of what Amos was working up to say, and she was well prepared. Securely ice-bucketed in a kitchen cupboard was a magnum of Krug 1969, courtesy of Piers Montagu. For as Confucius himself might have said: "The smartest monkey waits for the persimmon to ripen, then gets someone else to peel it."

"That's just not on..." Amos sounded genuinely outraged, and Charlie loved him for it.

"Just what I thought. So I

All characters and companies in this novella are fictitious.

HOW TO SPEND IT / FASHION

Laughter keeps Alaia flying high

Marion Hume meets a fiercely independent designer who has found fortune despite his refusal to join the hoopla of the couture ranks



From left:
 □ Flecked tweed tailored jacket with matching trousers, price on request. Available from Azzedine Alaia, 18 rue de la Verrière, 75004 Paris (33-1-42 72 19 19)
 □ Cropped melon-style jacket encrusted with beading. Available in leather from Joseph, 16 Sloane Street, London SW1 (0171-235 1991), and 77 Fulham Road, London SW3 (0171-823 8500), £4,435
 □ Stretch, sequined sporty dress with mirrored hem. Available from Joseph (as above), £1,995
 □ Full-length silky shift dress, of viscose knit embellished with sequins. Available from Joseph (as above), £3,965

Illustrations: Richard Gray

Fashion insiders have begun counting the days until the haute couture shows in Paris next month. It promises to be the most exciting season in years. There is the British duo, John Galiano and Alexander McQueen, taking on the challenges of Dior and Givenchy; the mighty House of Chanel expected to go from strength to strength; and names familiar at ready-to-wear, including Jean Paul Gaultier and Thierry Mugler, attempting French fashion's heights for the first time.

One talent will be missing from the proceedings, however. When the governing body of haute couture decided recently to relax some of its more arcane rules, it was hoped that a designer who has long merged handwork with industrial techniques could be encouraged to join in. But the fiercely independent Azzedine Alaia has chosen to remain apart, and reveal his next collection when he is ready. Women who are Alaia devotees will, as ever, be prepared to wait.

Azzedine Alaia creations, which tend to arrive in Joseph shops, London, and in Barneys of New York, months later than expected, still sell like the proverbial hot cakes. Yet their creator has not had a fashion show since 1991, and has little interest in the hype of the fashion world, he does not advertise and does not play the game. Alaia does what he wants, when he wants.

A dozen years on from when he was deemed to be at the epicentre of fashion, his customers are still happy to tolerate his caprices and pay high prices for his immaculately constructed clothes.

The reason is simple: talent. Alaia, who made his name as the "king of cling" in the 1980s, works long and hard at a style that is constantly evolving.

Nowadays women have learned to buy his expensive clothes not singly, but in multiples, for with Alaia, it really is a case of here today, gone tomorrow. He believes men should look dowdy (he wears Chinese pyjamas every day); that they should give their money to women to look superb. Judging by the speed with which his clothes leave Joseph shops on Saturdays, there are many men and women who share his view.

He lives and works in a converted mattress and clock factory in the Marais district of Paris, surrounded by assistants, well-groomed cats and fluffy dogs. He moved in at the height of his fame, but even though money was needed to patch up the run-down building, he refused to follow the corporate line and turn his name into a brand name. There have never been Alaia perfumes or Alaia eyeshadows.

Only now, when he can do it in his own way, are there licensing plans to introduce eyewear, perfume and jeans collections before 2000. In the 1980s, those licenceses who wanted to jump on the Alaia bandwagon were crying out for him to broaden his offering. When he refused, there were many who said he had missed his big chance. Behind his back, they called him "Has Been Alaia".

Not that the designer who arrived in Paris from Tunisia in the 1950s cared then, or cares now. Ten years on from the publication of a piece entitled "The Rise and Fall of Azzedine Alaia" in the powerful trade bible, Women's Wear Daily, the designer labelled a yesterday's man is laughing - something other designers rarely do.

Those who did join the superleague are weighed down with responsibilities: of main line, cruise line and diffusion collections to produce, and licenceses, shareholders and journalists to keep sweet. Not so Alaia, who only designs clothes for women and even then not necessarily for two collections a year.

And having a journalist around is not a corporate chore, but the chance to play jokes and tell stories.

But there are serious questions to be asked. Does Alaia, who was never seduced by the huge hoopla fashion show, feel vindicated now that designers from Saint Laurent to Calvin Klein are following his lead and turning away from the big productions?

"Those shows never made sense. They were not to the advantage of the clothes and why have all that pressure?" says Alaia, smiling. "I refuse to suffer. I've never suffered

in my life because I'll keep that for when I'm old. I never let people impose upon me. If they try, I don't listen. Even if I deliver very late, my clothes sell."

"The supermodels," who are extremely wealthy women, are among his customers. They used to get the clothes for free, in return for modelling in Alaia shows when they were small-scale and private affairs.

"But now, they buy. They buy because they are very rich. They can buy the building if they want," laughs Alaia, under whose roof a young Naomi Campbell used to sleep when she was a teenage model in Paris. "And she can still sleep here. Now there are two rooms for the assistants when they can't get home, or for models who want to live here. I live here, sometimes for weeks without needing to go out."

"People come here from London, New York, all the places. The news arrives here like that. I don't need to go to the cinema; people come here and tell me the stories. Or they read me books while I work..."

Sculpture was his first love. "Then I discovered Balenciaga and Dior, and then Vionnet [whose skill at bias cutting is legendary]." Alaia used to spend hours in the Vionnet archive, studying the technique. "What fascinated me was the fall of the fabric, that was really special, modern, inspiring."

"In any case, by that time I realised I was going to be a rather bad sculptor, and I didn't want to be a failed artist. And I was always fascinated by women, their spirit, their way of talking, their elegance, their way of dressing. I met Arletty [who reinforced her reputation as a 'great' of the French cinema wearing a doublet and hose in *Les Visiteurs du Soir*]. She was wearing the first bodysuit I saw, a ballerina's [exercise] top under a tailored suit [long before Donna Karan came up with her versions]. She inspired me a lot."

Despite having built a reputation on tight-fitting clothes, Alaia adores older women. His favourite is the Queen Mother, whose portrait has pride of place on his pinboard. "She is the most elegant woman. So what if perhaps now she does not have a corps sub-

lime. She possesses the epitome of an English sensibility, with those colours, those floral prints, far more chic than Lady Diana."

Not that he is a stranger to the fruits of wealth. It is clear that Alaia and his business partner, Christoph Woyte, are canny. While hardly in the Yves Saint Laurent/Pierre Bergé or Calvin Klein/Barry Schwartz league, their building rambles over a large corner of the now-smart Parisian Marais. He behaves like a simple man who is happy to share what he has - his food, his clothes, his home - with friends. All that he asks is that they buy him some dresses in return.

But not just any dresses. What he wants are historically important fashion pieces that occasionally appear at auction, and of which he has an enviable collection. He buys, with the money of benefactors, on behalf of the Museum of Marseilles. When he acquires for his private collection, it is through the considerable generosity of his friends.

"Once in London, there was a Vionnet dress that was coming up for sale and the estimate was not so expensive. So I phoned Joseph [the London retailer] and I said, 'Joseph. Do you love me?' He said, 'Of course,' and I said, 'There is an auction. There is a Vionnet dress in it. I would love, and he said, 'Then I will gladly buy it for you.'"

"He had never been to an auction, so I told him, 'You don't have to go in person, you can bid by telephone, but don't let the dress go'. But when the sale commenced, the fee went up and up and up way past the estimate and I wanted to reach Joseph to tell him to let it go. But he bought that dress [for £23,250]."

"I asked him, 'Joseph, why didn't you stop?' But he was so caught up in the thrill of the bidding, he said he would have gone on until 11pm. So naturally, each time there is a sale in England, I say, 'Joseph, do you still love me...?'"

Alaia also owns an important Charles James gown, auction price \$49,500, though he will not reveal who bought it for him. "If my friends need something, I try to provide it. If I want something and I can't pay for it, I think my friends should buy it for me. So now you are my friend, do please join me for lunch one day and give me your phone number."

Others upon whose generosity he has called include supermodels Stephanie Seymour and Naomi Campbell. "With Stephanie [who has earned her own fortune and also married money] I'll say, 'If it gets expensive, I'll pay', and she says, 'No, no, Papa. I want to buy it for you.' But I don't say that to Naomi. I don't say, 'Do you love me?' either, just 'Naomi, you are going to buy me...'"

Alaia learned many of his skills from turning Vionnet dresses inside out. Today there is much to be learned from the study of Alaia's works, although any fledgling designer who plans to learn at the master's right hand should be warned.

"I would keep him on his feet all day," he says, "then I would make sure I'm getting to the most interesting part of the pattern at two or three o'clock in the morning, just as he has to go to bed. And when he says, 'How did you do that?' I'll say, 'When you were asleep, you missed it.'"

But this is not a joke. People do come to work here and they work hard. Stories of Alaia assistants fainting on their feet in the wee hours are legion in Paris. But the master thinks it is good for them. "I started very, very young and I worked very, very hard," says Alaia, who will not reveal his age, but it is likely to be pensionable.

He doesn't advertise and doesn't play the game. Alaia does what he wants, when he wants

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HOW TO SPEND IT

Keep your head at the bargain bin

Susan Irvine urges caution at the sales, an event which can transform perfectly normal women into vicious, wild animals

Like being invited to dinner, just as you return from a six-course lunch, sales pop up when you are suffering from shopping indigestion. But like that free dinner, they seem too good to miss. Cashmere: slashed? Crockery: smashed? Dolce e Gabbana: hut pay only for Dolce? We're out there only a few days after the Christmas melée, dragging our shopped-out psyches kicking and screaming back into the store.

Every year, women up and down the country resolve "not this year". Every year, they recant and hurl themselves into the battlefield that is the Harrods china department, heating off lethal grannies wielding umbrellas and shopping baskets full of bricks.

Marko Matysik, courier and personal shopping adviser, has sworn off sales for ever after avowing that "perfectly well-brought up English women turn into vicious, instinctive wild animals at sales time; they're like the Maenads looking for stags to eviscerate". He adds: "Little old English ladies seem to strap stilettos on to their elbows specially for the sales."

It is true that even Kate Moss cannot have elbows as sharp as some of the objects that get inserted between your ribs as you are stretching for the Wedgwood cups at this time of year.

"The thing is, we are a nation of bargain hunters," says Rita Brittain, owner of one of Britain's best designer stores, Pollyanna in Barnsley. "Sales don't seem to have the same effect in France or Italy."

Other countries do, however, hold brilliant sales. In New York prices are slashed by up to 75 per cent, and women approach the event with military precision, set-

ting up sales "map-rooms" in the kitchen with little pins stuck into Bloomingdales and Barneys, opening times (8900 hours) and routes between bargain hot spots plotted in red.

At least, they do not queue up the night before with a thermos full of Tetley's and a camp-bed. Shopper's shame to want that fridge-freezer enough to sleep on the streets for it. I have certainly never known any of my friends admit to it, however desperate they are for that Ralph Lauren velvet coat.

Strange that the nation which invented the notion of embarrassment is not covered in shame at chaining ourselves to the portals of Harrods in the cause of cut-price consumer goods. Given that we are not, perhaps we will soon adopt another American sales custom, which has the advantage of being very practical.

"When I worked in America," recalls Deborah Shaw, Harvey Nichols personal shopping guru, "women would come into the stores at sales time wearing huge coats. When they reached the rack that interested them, they dropped the coats. All they were wearing underneath were exercise leotards."

Imagine the average British woman rifling through the rails in nothing but Damart and Reeboks. But if you have the chutzpah, it is a great tip. You do not have to queue for fitting rooms, and you do not get exhausted constantly divesting and re-vesting yourself of layers of clothing. You can just drop and shop in a nanosecond.

Not that Deborah Shaw is advising this as a sales strategy. Her advice is the opposite of what you usually hear: "The sales are a fantastic time to buy something

outrageous you wouldn't consider at its normal price."

Her tip for the Harvey Nichols sale is the Ann Demeulemeester asymmetrical dresses, one-shouldered, chopped about, and maybe slashed across the chest. "Imagine if your husband is used to you in your basic black and pearls and you turn up in one of these: fabulous." Fabulous it may be with someone like Shaw to guide you at this time when the expression "shopping trip" takes on distinctly psychodelic overtones. Not so great for those, like the mother of a friend, who ven-

If you have the nerve, the best way to approach the sales is like a game of blackjack

turned into a Glasgow store with her charge card and emerged with a full-length designer gown featuring a parrot down the front - in feathers.

Why oh why do we lose our heads at sales time? Why when we see two or three women snatching pink crocheted hotpants from the bargain bin do we feel that pack instinct take over and snatch a pair for ourselves? "Only £10!" we cry. Yes, but completely unwearable.

It is those unwearable items, secreted into the backrooms of shops that are dragged out at sales time to hoodwink the gullible. Matysik's advice is not to buy those bizarre jeu d'esprit items. These define a fashion

moment "and by the time of the sales, that moment is history".

Heleen Simpson, one of Britain's best-dressed fiction writers, advises: "Buy good quality classics that won't date". She is particularly pleased with her Aquascutum mac, about £500 normally, and only about £200 in a sale.

If you have the nerve, the way to approach the sales is like a game of blackjack. Pace yourself. Know when to pass on that pair of Gucci shoes, that Prada handbag. As you sweat it out, the prices fall further. If you can bear the tension, and keep putting the item to the back of the shelf every time you go in to the store, it may eventually reach 80 per cent off. In true hunter-gatherer tradition, you can then drag home a trophy, the Gucci shoes that cost little more than the Marks and Spencer slippers.

It is this notion of beating the shopkeepers at their own game that gives the satisfaction of a sales purchase. For once you can go shopping and are not ripped off by 100 per cent mark ups. The risk though is that you rip yourself off by succumbing to the "mad till" disease that turns brains to crimplene at this time of year.

Women particularly have a terrible habit during sales of buying clothes in the wrong size "because they're just too good to miss". And because, "I'll diet into them". A friend who helped in a London store's alterations department remembers a girl coming in with a sales jacket and having every seam taken in, at about £30 a seam. It ended up costing just as much as the non-sale version in the right size.

Get the jacket to fit the woman, not the other way round.



Ten ways to help prevent shopping frenzy

1. "Never buy anything in the sale that you wouldn't also buy if it was full price [and you could afford it]." Strong words from Rita Brittain, owner of designer emporium Pollyanna.

2. "Hire a car for the day with a uniformed chauffeur to ferry you faster-free from store to store."

This the advice of a friend who, Mrs Beste-Chetwynde-style, does just that; emerging Manolo-shod and follow me-caved with the added bonus of salivating sales staff.

3. Go in the week before and seek out the thing

you most badly want in the sale. Then, on the day, head for this and this alone.

4. Then go straight home before uncontrollable retail feeding frenzy sets in.

5. On no account don a shell-suit and camp out at 4am with sleeping bag and thermos to be first in the queue. When you are spotted thus clothed on News at Ten, your fashion credibility will be in tatters.

6. Beware batches of tat made up specially for the sales or old designs wheeled out again. Lots of shops do this, even highly

respectable ones.

7. Be alert to any sudden weakening of your normal resistance to fine green leather or gypsy tassels. If you are flipping into a shopping trance, sober up by exiting to the nearest double espresso.

8. "Don't buy a designer's crazy statement," advises Josephine Turner of A La Mode. "In a sale, go for something in superb quality with style that will last for years." And go to the expensive stores: £30 off a cheap jumper is not much of a bargain, but £200 off a £400 cashmere style is.

9. Bypass the lot for a

visit to Bicester Discount Shopping Village (off Junction 9 on the M40 between London and Birmingham). Key purchases: amazingly cheap Joan & David shoes and Christian Lacroix everything. "They've no idea what they're selling" are the awe-struck words of the best shopper I know.

10. Avoid the Harrods scrum by placing an advance order on "big ticket" items like furniture and electrical goods at sale prices on certain dates. Account customers get an extra 10 per cent off.

Advertisement for Austin Reed sale. Text: Look the business. For less. SALE for Men & Women. Now on. AUSTIN REED. Open Sunday 29th Dec 10am - 6pm.

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Advertisement for N-Peal Cashmere. Text: N-Peal Cashmere SALE NOW ON UP TO 40% OFF CASHMERE KNITWEAR AND ACCESSORIES 37 & 71 Burlington Arcade 192 Piccadilly, W1 Gleneagles Hotel, Auchterarder 0171 493 9220

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TRAVEL

Living for today in timeless Rome

Nigel Andrews marvels at the city of broken centuries and unbreakable myths

One great truth is learned from world travel - everyone is biased about his own habitat. Tell a Roman how beautiful Rome is and he gives you a glazed, long-suffering smile. You may be sitting in a penthouse flat surrounded by views of the Forum, the Colosseum and St Peter's and still your enthusiasm will have no effect on your host. "Si, si," he will mutter patiently as he tops up your Prosecco. "And how is your London and your Chon Maycher (John Major)?"

It is 10 years since my last visit to Rome and the city is unchanged beyond recognition. It is hard to believe in a place that keeps its aesthetic virginity so intact: the Doris Day of world capitals. Since my sunshine hours involved driving around in taxis meeting people for an article on Italian cinema, I spent my nights roaming by cab or on foot, gawping at Rome's non-stop *son et lumiere* display.

The *lumiere* is the floodlighting that leaves no building without the star treatment. The son - which also seems beautiful after a day or two - is the bonking of traffic, rhythmic thumping of tyres over cobbled streets,

throaty shriek of Vespas and babbling to all hours of voices in streets and cafes. Rome must have learned its habit of sleeplessness from the famous occasion when, nodding off during a national emergency, it was woken by the squawking of geese. The site of this incident was near my hotel. In a spare moment of daylight I visited the Forum and next door Capitoline Hill, and learned two things about culture management while in Rome.

Either go without a guidebook and spend an hour heedlessly imbibing the atmosphere - sun-rinsed pillars, beautiful amputated statues, marble friezes telling imperishable stories. Or go with a guidebook and spend a day.

I found the perfect compromise: half a guidebook and two hours. Several pages of my well-thumbed ancestral Baedeker being completely missing, I had to take on trust the historical fascination of Caesar's Rostra (speech platform) and the Curia (large stone barn). On the other hand, I could serve you a fine running lecture on the Temple of the Vestal Virgins, assuming you could back your way to it through the crowds.

In a few precious daylight hours, I also put my hand in the *de-detecting* Bocca Della Verita (where Gregory Peck famously hoaxed Audrey Hepburn in *Roman Holiday*), scouted the Colosseum and strolled through St Peter's.

But there is no need to stay with the obvious. If you are based at the charming Domus Aventina Hotel, whose rooms overlook the courtyard of an old church, you can always walk in the other direction.

Monte Aventino is a leafy backwater where embassies lurk amid magenta clouds of bougainvillea, and pomegranate trees overhang sun-



It would be hard to be biased about the figures of Christ, St John Baptist and the Apostles sitting above St Peter's

lit pavements. If you walk north for 10 minutes you are in the Forum. Walk south, though, and you enter the twilight zone known as Testaccio.

This is where the smartest restaurant (three rosettes in Michelin) sits in a cul-de-sac opposite an abandoned abattoir. Checchino Dal 1887 is tucked into the side of a mountain formed entirely, and eye-bogglingly, of broken vases. This area used to be on the coast and whenever careless dockers smashed a crate of amphorae, circa AD200, they dumped the jars on the same spot. Hence "Monte Testaccio": a hill now crowned like any slughill with trees and bushes, which grow out of an estimated 53m items of broken terracotta.

I did not eat at Checchino's since my hotelier, warning of tourist traps, said I could get the same food cheaper at nearby Perilli's. Fellini used to eat at this vast, noisy refectory abounding with good cheer and not-so-good mussels. Like all local *trattorie*, it boasts authentic Roman cuisine: which means offal, tripe, hooves, heart and anything from the more personal parts of an animal. As a cow-conscious English person I

ate lamb stew (delicious), preceded by a richly oiled *saffiolini* with wild mushrooms.

It was during this meal, with the greater wisdom brought on by a bottle of Chianti, that I felt I understood what this city is all about. In that great Italian film *Fellini's Roma* cameo star Gore Vidal, playing himself, called it "the perfect city from which to view the ending of the world."

In Rome no one seems to care about the future because they sit on this time-mountain formed of broken centuries and unbreakable myths. If they

eat traditional dishes whose ingredients other countries would hesitate to give their pets, it shows that they put sensible hedonism above irrational squeamishness. And if they stay up all night - since in an Italian city who can sleep with the sound of cars and scooters? - it shows they care not about tomorrow, only about extending today into an honourable eternity.

On my own last day I discovered a dream hidden behind an abbey garden wall. I cannot remember the street's name nor the abbey's. But you will find it by walking south-west of the

Domus Aventina for 84 minutes. Approaching the wall, you will see the far-distant dome of St Peter's, framed in the entrance arch a perfect centre. It shimmers in the blue sky, luminous and seemingly weightless, above the viewing balcony of the abbey garden's far end.

This was the most magical and beautiful thing I saw in Rome. And it was quite, so far as I know, unknown. At least until I revisited my Roman friend. "Ah, yes, you saw that, did you?" he said with affable indifference, before banishing *la tette Roma* with another glass of sparkling Prosecco.

Snow, glorious snow - it seems to have fallen abundantly in almost every Alpine nook and cranny on both sides of the Atlantic.

But as so often happens with events of extreme good fortune, there can be a sting in the tail.

On the opening day of the season in Jackson Hole, Wyoming, so much snow had fallen that half the mountain was shut down and the ski patrol was out in force dynamiting the more avalanche-prone areas.

Almost immediately, one of them was caught in a substantial slide and had to be dug out by his colleagues.

It was a graphic illustration of

Great snow brings avalanche danger

Skating / Arnie Wilson

the down-side of the best start to the ski season for years.

While everyone in the ski industry is rejoicing at the almost staggering amounts of snow that have fallen so soon - "best snow in Europe for 25 years... record snowfalls in Canada, etc" - the phenomenal conditions can also bring potential danger. Not just in the closing days of the year, but late in the season too.

In a "normal" winter, if there is such a thing, the gentler pace of nature, with snowy days alternating with rainy days and sunny days, usually produces a relatively stable base.

This year the snow fell all at once. The deluge created conditions which could cause stability problems later in the winter. It is likely to be a season when extra caution should be taken when skiing off piste.

Ungroomed snow is unpredictable enough at the best of times, but this winter the advice of many snow-craft specialists is to check off piste conditions with the pisteurs or ski patrol. And if in doubt, take a guide.

"Everyone's cock-a-hoop about the snow, so it's as well to remember the dangers," said David Hearn, of the Ski Club of Great Britain.

"We don't want to start scare-

mongering, but it needs to be said that conditions are more dangerous than during a normal December, particularly in North America where so far there hasn't been much of a thaw.

"In Europe there has been a classic freeze-thaw, freeze-thaw cycle which has made the slopes relatively stable in spite of the extra amounts of snow." Even so, some European runs are behaving bizarrely. The resort of Mur-

ren closed one of its main runs, the Kamouen Rohr, because it was moving like a glacier.

Last week, the avalanche risk was around three on a scale of five, which is quite dangerous - one or two is pretty safe, and at four or five there is a very serious danger of spontaneous avalanches. "There is also some slab [heavy wind-blown slabs of snow which creates particularly dangerous conditions] floating

around in the European Alps after high winds at the beginning of December," said Hearn.

"You never really know for certain what's going on under the snow pack, so take local advice and always ski with an avalanche transceiver."

A free holiday in St Moritz is on offer to anyone prepared to raise money for the Children's National charity, which helps sick children. It is organising a five-day Engadine cross country ski marathon from March 3. The cost is £700 - but anyone collecting at least £2,500 in sponsorship gets their full costs paid, with lesser contributions for smaller amounts. For details, phone 0171-928 2424.

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OUTDOORS



Racing on a sail and a prayer: 3Com's crisis meant plans for an extended leg were dropped

Humanity has its moment in an unforgiving ocean

Richard Donkin reports on a moving rescue mission in the southern ocean

Richard Donkin is competing in the Rio to Wellington leg of the BT Global Challenge round-the-world race.

The co-ordinates 55 degrees, 40 minutes south, 112 degrees, two minutes west mark the exact spot in this empty quarter of the globe where our yacht, *3Com*, very nearly came to grief.

Hard sailing in a 40-tonne boat through pummeling winds and seas puts enormous strains on equipment. Sometimes something gives. As the crew struggled to retrieve a broken cable and a foresail hanging over the side, David Tomkinson the skipper confessed: "There are two things in ocean racing that put your heart in your mouth - a man overboard and the loss of some rig."

The race headquarters warned other boats to check all rigging and dropped its plans to extend the Rio to Wellington leg that would have deliberately delayed the arrival of the fleet in New Zealand to ensure that reception plans went smoothly.

Increasing hardships mean the battered fleet taking part in the BT Global Challenge is closing on its Wellington destination with a barge sense of relief today, after the southern ocean lived up to its fearsome reputation on this gruelling 7,000-mile leg of the round-the-world yacht race.

Plotting the course of the 14 boats on the stark white navigational chart that represents the Southern Ocean has been like watching snails competing to reach a cabbage leaf.

Two boats, *Concert* and *Time and Tide* were forced to divert to the Chatham Islands, 400 miles closer to the fleet than New Zealand. *Concert* lost the top of its mast and *Time and Tide* had an injured crew member.

The rigging problems suffered by about half the fleets, most seriously by *Concert*, emerged first on *3Com* when we lost our forestay in mid-ocean.

At a first inspection our position in the race appeared hopeless. The damage seemed irreparable. We were racing on a sail and a prayer. The best we could hope for was to limp back with a makeshift rig and reduced sail well behind the rest of the fleet. The worst, we preferred to leave to our private thoughts.

The forestay acts like a guy rope on a tent. It is crucial to the structure. Challenge boats have suffered two dismastings in the past. The first happened to the yacht, *British Steel II*, at about the same stage of this leg in the 1992 race. The second occurred in the English Channel during a training sail.

Ingenious and hair-raising repairs were required and incredibly, within 36 hours of near disaster, *3Com* was once more in the race, albeit

west back in the field. Our crisis became a cause for celebration across the fleet when the extended course - a universally unpopular addition - was abandoned for fear of further forestay problems.

The rejoicing did not last, however. The fleet was about to encounter its first full-blooded southern ocean storm. Soon, more yachts were reporting strands breaking on their rigging: the forestay collapsed on

West's boat needed all the pain killers we could spare for its 2,000-mile trip

Motrola: Heath Insured II was forced to strip down its sails when a crucial piece of side rigging failed; and *Concert* lost the top of its mast entirely. Hardly a match went by before more problems were emerging.

Tomkinson said: "We have two options - putting everything up and waiting for it to fall down or to sail reasonably conservatively. In race terms it has become a matter of getting there, more than anything else."

The same storm led to a

call for assistance from the yacht *Time and Tide* which is crewed by disabled people. One of them had been badly injured. It was an anxious time for the crews who have all drawn inspiration from the presence of *Time and Tide* nearby.

Tomkinson did not hesitate to alter *3Com's* course to undertake a mercy mission. Extra pain killers were needed urgently for Brendan West, a leg amputee who had injured his one good leg in a deck accident.

I met West in Rio, where we were both joining our yachts for the first time. I was pushing a cart loaded with sails and feeling sorry for myself because I had twisted my ankle a few days previously. He came alongside me to help push.

We were told that West was in great pain from the injury which had inverted his good leg at the knee. His boat needed all the pain killers we could spare for its trip to the Chatham Islands, 2,000 miles away.

The rendezvous and transfer went without a hitch. It was an emotional meeting for both crews, a reminder that neither they nor we were alone in this unforgiving ocean and that humanity can have its moments.

Christmas was a muted occasion without the usual festive trappings to stir the seasonal spirit. Our world is a boat a crew and, usually, a friendly albatross gliding by within a vast and fickle ocean. We had boil-in-a-bag

dumplings with Christmas pudding, a cake and some crackers, accompanied by carols from the helm.

On-board entertainment is limited but the solitude has led to a flowering of interest in poetry. Popular recitals include Rudyard Kipling's "If" and W.H. Davies's poem "Leisure", which begins "What is this life if, full of care, we have no time to stand and stare".

We look forward to the new year with the same mixed feelings that greeted Christmas. "It's hard to get excited about the new year, because in a way my year started in September when we began this race and will end when we finish in July," said Philippe Falle, a photographer and *3Com* crew member.

The rigours of the past few weeks have sapped our will for celebration. We dared to enter the weather's lair and it did not treat us kindly. The hours grind by slowly as if someone has applied a brake-handle to the cogs of time. The passing of a year seems meaningless when time itself has become intangible. We want to feel land under our feet again.

Christmas at sea strengthened the feeling of isolation, the physical and emotional distance from our families. It was a time for introspections to scan the features of sea in a search that borders on the spiritual. The enormity of the ocean challenges the most committed non-believer.

Motoring

Small cars nip to the fore

Stuart Marshall takes a backward look at the year

Which cars stand out in a backward glance at the past year of motoring? In general, they have become so good that realistic comparisons are difficult.

If you decide what kind of car you want - saloon, hatchback, estate, on-off road or soft top - and how much you want to spend, then it is really a question of finding one you like the look of and negotiating the best deal.

It can be said with reasonable confidence that whatever you buy is likely to serve you well, providing you look after it. Small cars in particular have reached a stage where they are the equal of large ones in everything but size and price.

Power-assisted steering, which improves any car, however small, is routinely fitted as standard. (I would not have a car without it.) Air conditioning, CD players, automatic transmission and anti-lock brakes are not yet part of the normal small car package, but all are available widely as optional extras. Only cruise control has still to percolate down from executive class cars.

With such crowded roads, however, I am not sure that being able to pre-set a cruising speed is so important. Unless, of course, you want to be certain you are not going to exceed the speed limit.

Most impressive of the small cars I have driven this year were the latest Ford Fiesta and its Mazda counterpart, the 121; VW Polos and Rover 200s with petrol and, especially, diesel engines; the Subaru Justy, with permanent four-wheel drive and priced below £9,000; the Citroën Saxo; and, last but not least, Ford's hugely attractive Ka, created by repackaging Fiesta components in startlingly stylish but practical new clothes.

Nothing I have driven this year created more interest than Ka among friends and strangers alike. I had only to park it for interested people to come up and ask: "What is it?" or "Is it electric?" Among small/medium cars, the VW veteran Golf GTI, due for replacement in a few months' time, still takes a lot of beating, but I think the Nissan Almera GTI runs it close for performance and manners alike.

Perhaps I had expected too much of Rover Group's MGF, but I was mildly disappointed by this mid-engined sporting two-seater. Not, I hasten to add, by its dynamics; these are first class. But I thought the manually operated soft top was cheap.

Nothing I have driven this year created more interest than Ka

nasty and claustrophobic and contrasted badly with the power-operated top for the Ford Escort Calypso cabriolet.

All fabric folding tops, however, are out dated by the disappearing steel roof of the Mercedes-Benz SLK. Closed, it is as secure as a saloon. Open, it is among the most seductive two-seaters I have ever driven. And the transformation is quick (25 seconds) and completely automatic. I rate it a must for those not yet old or rich enough to contemplate owning a Mercedes-Benz SL.

A point which I have made several times over the past year is that medium-sized and medium-priced cars now

offer buyers (more often, user-choosers) similar standards of comfort, reliability and safety to more prestigious, premium-priced marques. This is especially true of the multi-cylinder versions of fleet favourites such as the Ford Mondeo and Vauxhall (Opel) Vectra, soon to be joined by the V6 engined Peugeot 406 and Citroën Xantia.

In the last year multipurpose vehicles secured, and are now widening, a bridgehead into the British market. Most popular have been the Ford Galaxy, VW Sharan and Seat Alhambra, which differ only in detail, and the other near identical trio of Citroën Synergie, Fiat Ulysse and Peugeot 806. Competition will soon be keener than ever with the introduction of a new Renault Espace, a General Motors (Opel/Vauxhall) Cintra and right-hand steering Chrysler Voyager.

MPVs were supposed to pose a threat to 4x4 recreational on-off roaders, but sales have remained healthy among buyers whose choice reflects a lifestyle, be it real or imaginary. Suzuki came up with a couple of four-wheel drive novelties - a turbo-diesel Vitara 5-door with standard automatic transmission, and X-90, an offbeat machine which could well be the darling of a Range Rover-driving Chelsea daughter.

The most significant car to appear in 1997 undoubtedly the Renault Mégane Scenic, a mini-MPV that is bound to spawn a new generation of family cars that are big inside and small outside.

Two final motoring thoughts. Be glad that in 1996 road deaths in Britain will never have been lower; and that the Eurotunnel fire occurred while there were still ferries to provide an efficient alternative way of crossing from England to France.



A Mercedes-Benz SLK: from steel-roofed hardtop to open roadster at the touch of a button



Renault Mégane Scenic: the shape of the coming generation of family cars

Gardening

Curious twists along the path

Robin Lane Fox on the lessons of a year which swung from a harsh May to a glorious November

Gardeners have endured another remarkable year, leaving them to wonder whether any season will ever conform to text books again. In May, everything seemed severely retarded in nature's refrigerator. During the third week in July, I surveyed brown fields and wilting trees by the River Severn after a visit to the Bristol Botanic Garden where the most well-adjusted plants were the cacti and agaves. Once again, it all swung round to a familiar finale. Autumn is becoming the memorable season for secondary visiting, but autumn 1996 took an unexpected turn.

What lessons have we learned? I think some form of systematic irrigation is now an essential investment for gardeners in southern England. It is not necessary to water lawns and go to the expense of a full pop-up installation. Micro-sprinklers in flower beds are a different matter and anyone who wishes to experiment on the new botanical frontiers is recommended to invest in some such system before risking another dry summer.

Micro-sprinklers can be bought for little more than £1 each and the basic 16mm black hose need not cost more than 30p a metre. Automatic controls make a seri-

ous difference, especially for weekend gardeners, and here there is no point in economising. Many suppliers will also assist in plans for a self-installed arrangement, containing the cost wherever sensible.

The oddity this spring was not the shortage of water, but the shortage of warmth. We all enjoyed the most extraordinary spectacle. The clouds of blossom on cherry trees and magnolias opened rather late and were then held as if in the cooler for several weeks while the early daffodils crept along to join them. The later narcissi lingered on until the end of May and anyone with naturalised bulbs beside a formal garden was longing to cut them down in early June. But the recommended interval of six weeks after the flowers have faded meant that untidy narcissi were hanging around in early July. In these chilled conditions, I extended my acquaintance with

many types of flowering cherry which otherwise drop before I have noticed them. The white-flowered upright *Umeniko* remains my favourite wherever height is more important than width. Pale pink *Acolade*, white *Korean Hill* and the large, spreading white *Yedoensis* were outstanding bets in this favourable season.

Towards the end of spring, one of the sights of the year were the lilacs. I cannot remember such a prolific season and I continue to bless the day I moved my standard trees of blue and purple-striped lilacs into a pair of small borders where they give early colour and then become a frame-work for semi-climbing roses and late-flowering clematis. Older wisdom claimed that lilacs were bad neighbours in a border and had no doubt, suckering, hungry bushes are a menace. Standard lilacs, however, are another matter and I will treasure the mem-



ory of my standard lilac *Sensation* against a backdrop of early flowering honeysuckles and some pale yellow tulips which have lost their way in the calendar. Another type of honeysuckle has shot to the top of my shopping list, which I first sighted in May. *Lonicera Tatarica* is a tough, under-rated shrub with reddish flowers, but there is a spectacular white-flowered form with slightly paler leaves which is exactly right as a filling for

that hiatus between the spring bedding and mid-June. It is not common. But several nurseries list it and it is said to be as tough as its relations.

But mid-July, the summer was threatening to desiccate us all again. Roses had been wonderfully unspooled by rain, but I began to find their masses of flower overpowering in the clear, hard light of a dry month. Crisis threatened, but early August related and I enjoyed 10 days' matchless gardening. This year, the widening range of crocosmias showed their quality, preferring frequent watering, while enjoying a sunny season. The shapes and colours of flower now vary far beyond the old *monobrotias* and I recommend buying any unusual named variety next spring so that one or two plants at intervals will illuminate the difficulties of August.

They combined with my star success of the year - a brilliant

coral-red form of low-growing *diastela* called *Coral Belle*. Ever more forms of these South African plants are entering nursery catalogues but this one struck me for its brighter colour, continuously flowering from June until October and appearing to be hardy, helped by its strong, compact growth. Beside the low-growing yellow Evening Primrose, *Oenothera Missouriensis*, it made a brilliant combination which would grow for anyone in a sunny site.

By September, everything was dry again, but the new wave of popularity for small-flowered *Michaelmas daisies* saw some of us through. They coincided with the tail end of a spectacular season for the scented white *Magnolia Grandiflora* which responds so freely to a sequence of warm summers. Small blue daisies like *Little Carlow* or the tall, rare *Chieftain* were a great re-discovery.

The last surprise has been the autumn. Early October was so dry that the leaves on too many trees turned brown and began to fall too early. I have never had worse value from a walnut, as the cold May delayed its leaves until June and the dry autumn removed them by mid-October.

Instead, we were rewarded with the best November in my gardening memory. Many days were clear or beautifully changeable. Berries on all types of *Sorbus*, and especially the taller red types of *Comestera*, have been stunning, while the ornamental *Malus* have never been better, justifying those who put them first for flowers, leaf, toughness and fruit in dry, alkaline gardens. Blackbirds and even the flocks of starlings have done their worst, but there are still a few bright fruits left after Christmas.

We deceive ourselves by following books on our gardens week-by-week, or by easy generalisations about times and temperatures. Gardening remains supremely unsuited to three-year plans, laid down by managers and run by computers. Each year calls for improvisation and individuality. We may curse the curi-ous seasons, but they are the challenge which makes us all keen to gaze into another year.

PROPERTY

UK capital is the best place to buy

Despite rising prices, London is good value, says Anne Spackman

London is a cheap place to buy property. That may seem an absurd assertion with the capital in the throes of a mini-boom and prices rising by up to 20 per cent during the year...



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cent for the mainstream British market. Simon Agace, chairman of the Winkworth group, which has 20 offices across London, is also predicting a slowdown in areas like Kensington and Notting Hill...

London will once again outperform the mainstream market, rising 15 per cent compared with 10 per cent nationally. "If you believe it will remain a strong financial centre and a fashionable city, that is a trigger for foreigners to buy."

but believes buyers at the top end have already discounted for the likelihood of a Labour victory. While it might be preferable for the prime London market to calm down to avoid the cycle of boom and bust, there seem to be many reasons for it to keep on rising...

An ideal market for country vendors

1997 looks as promising, says Gerald Cadogan

This year has been a bumper year in the UK country property market but not quite a boom. Sales are up - Fullfords in Devon reports a 31.4 per cent rise and Knight Frank a 35 per cent increase nationally...

house, large farmhouse or old rectory - costing £300,000-£500,000 18 months ago, the price is now likely to be in the region of £400,000-£600,000 (such as the Old Rectory at Codford St Peter in Wiltshire, available through Savills for £500,000).

and final offers" in sealed bids (as in the Scottish system of house buying) which, according to John D Wood, Winchester, can result in "a panicky but spectacular offer - great for the vendor, tough on the buyer".

Brisk buying has led to agents asking for 'best offers' in sealed bids

offers at or above the guide price in the first week were a regular occurrence. James Laing of Strutt & Parker says business was "better even than in 1988", because houses sold more quickly or were being offered privately...

Vendors must agree the right guide price and not be too greedy. Buyers remain cautious and houses now have to suit their precise requirements. Barns (converted or with planning permission for conversion) have again become popular as an alternative to costly farmhouses and manors.



The Old Rectory in Wiltshire is offered by Savills for £500,000

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FOOD AND DRINK

If Linkwood Distillery looks spruce and fine then the credit is due to Hillary Lamont, who has been the gardener there for donkey's years. Architecturally it is a jumble: it is easy to identify the handsome old maltings with the pagoda roof of what was formerly the malt kiln. These have been turned into warehouses now that the malting is done elsewhere. The rest of the collection is not so easy to decipher, until you learn that there are in fact "two" distilleries at Linkwood: the new and the old.

Lamont has had the job of repackaging the distillery buildings in a tasteful floral border. On higher ground close to the old maltings is a dam full of trout and perch. They were hiding when I visited, but other writers generally report the presence of a brace of swans which

figure on the label of the United Distillers' 12-year-old.

The old one was kept going until 1992 or 1993, when Linkwood was going at full pelt. Possibly the need for quantity was dictated by United Distillers who needed a lot of Linkwood for their "improved formula" Bells eight-year-old. It ran in tandem with the new distillery, which was finished in 1971, at the end of the great Scotch boom. The owners were careful to reproduce the exact specifications of the old stills, but they doubled

the number from two to four. The respect for nature at Linkwood may have something to do with Roderick Mackenzie, who was manager there for nearly 20 years after the war. He was so obsessed with the subtle flavour of Linkwood that he allegedly forbade the removal of spiders' webs lest that interfere with the nature of the malt.

It is perhaps significant that he left in 1963, the year of the first big re-fit. By 1971, the place had been transformed. When you visit a distillery you

often gain an insight into the flavour of a malt from the smell of the "wort", the unfermented malt broth which is the raw material of whisky. At Linkwood it is fresh rather than sweet, not concentrated and honeyed like many of the best Speysides.

It comes off the stills at 67.5 per cent notably low for whisky, which should ensure the retention of more of the original flavour. Another important factor is traditional warehousing. Over in the old maltings the casks are racked, but warehouse number

three is still on earth floors. Most of the casks in the warehouse were old sherry butts, but the manager told me he thought the total "sherry" count was not more than 25 per cent.

Opinions are mixed about Linkwood. For the older generation of whisky buffs it was always one of the best, but it does not always star in the distillery's own bottlings. I had the chance to examine the spirit with Lamont who, besides her duties in the gardens, has become the unofficial nose of the

distillery. She says she can tell when head office changes the raw materials: "You're using a different barley today," she tells them. Some of the casks, she says, give off a distinct barley character.

As a gardener she is precise about fruits and flowers: the "new-make" smelled of fresh "new-make", which it often does, but Hillary corrected me: "Conference, not Williams."

After that the sherry came into play. Linkwood fans feel that the sherry taste is a vital component

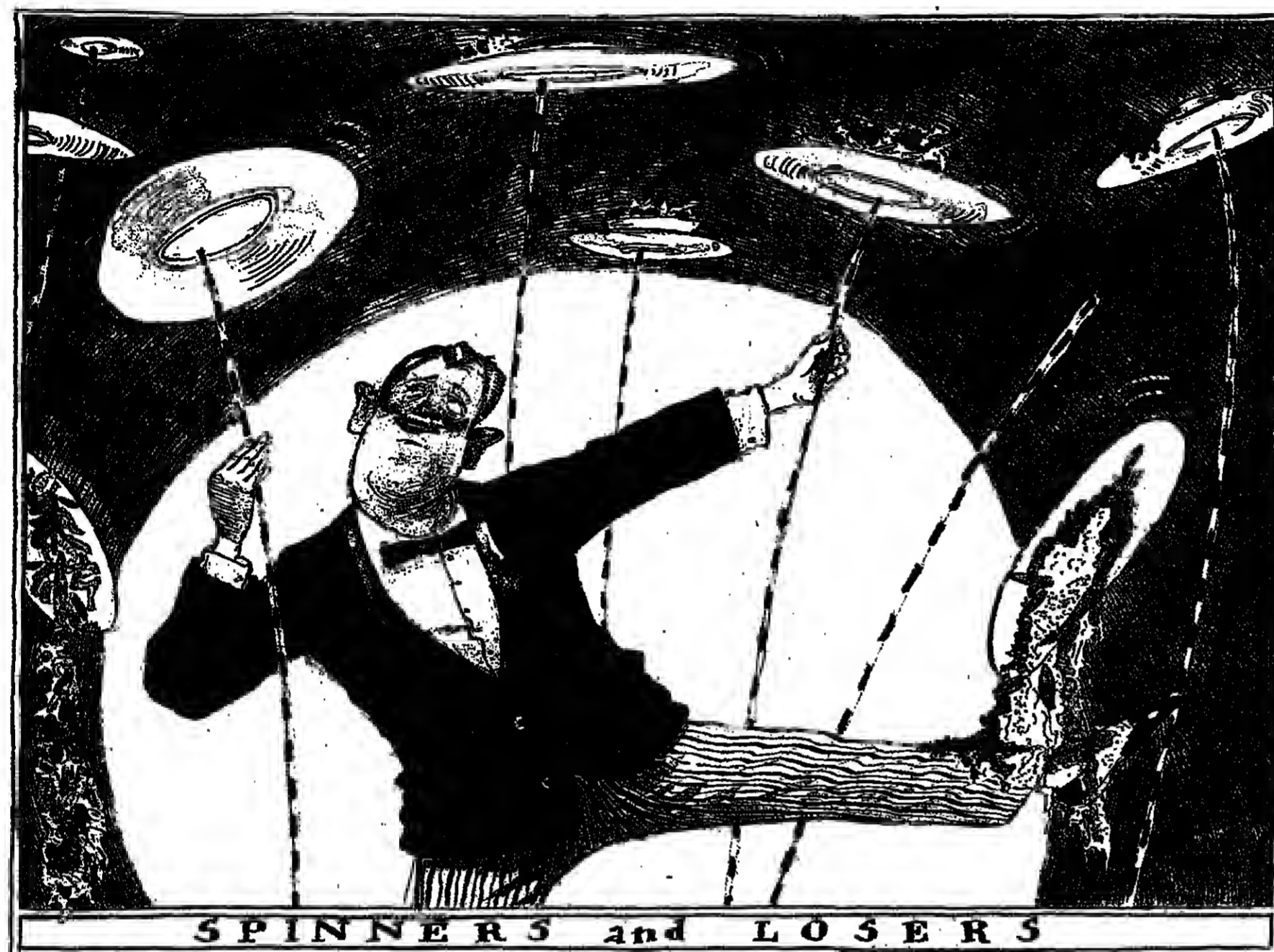
and reproach United Distillers for being a bit mean with old sherry butts. At first I was put off by a slight hardness, like hard water, on the finish. This tough character is present on the distillery's standard 12-year-old bottling, but on the whole the malt is better integrated at that age. I tried United Distillers other bottling when I got home: the 22-year-old cask strength "Rare Malt". Here the sherry flavour was mostly absent, and there was a pleasant heathiness about it, although I dare say Lamont would have demanded greater precision: "What sort of heather?" And "At what time of the year?"

■ Linkwood 12-year-old (Flora and Fama) is available from Millroy's (0171-437 0893) at £28.95. They also have the legendary Linkwoods: 1939, 1946, 1954, 1961 and 1962.

Whisky

A repackaged Scottish distillery

Giles MacDonogh on the mixed opinions which Linkwood maltings provokes



Menu hits and flops of '96

Nicholas Lander on some of the triumphs and disasters of the restaurant trade

The year 1996 will go down in restaurant history as an *annus mirabilis*. More openings, more customers, definitely far more use of the word "eclectic" to describe a chef's culinary style and probably bigger profits.

Fortunately, however, chefs are still not certain of which dishes will sell as quickly as they can be prepared or those which will go unappreciated regardless of their description. Here are some of the year's culinary hits and flops.

New York

According to Danny Meyer, proprietor of the Union Square Café (212-243 4020) 1996's biggest hit was a spicy fried shrimp "po' boy" sandwich. "It is New Orleans-inspired, homemade soft, sesame-seeded brioche roll, toasted, and then slathered with a spicy pepper and shrimp remoulade. It is filled with layers of thinly sliced tomatoes, chopped lettuce and a generous handful of shrimp fried in flour and cayenne. On the side are a stack of 'shoe-string potatoes' and a crispy salad of watercress, beets, red onions with a pecan-dijon vinaigrette. We sell out every day for lunch.

"We should never have tried to

upgrade that New York deli classic - braised brisket of beef. We served it with horseradish mashed potatoes and spiced Greenmarket apple sauce but no one would bite. Or, rather, no one could bite.

"Notwithstanding the estimable formal culinary training of our cooks we were consistently unable to prepare fork tender brisket. Three out of 10 orders were returned to the kitchen as 'too tough' and after two weeks, before we did irreparable damage to our reputation, we quickly removed brisket from our menu - leaving it to the delicatessens where it belongs."

London

John Torode, The Chef, Mezzanine, W1 (0171-314 4000): "I always assumed that regardless of what you put with prawns it will always sell. Of course, I have been proved wrong. One of my most memorable dishes was a Japanese prawn custard with mirin and soy. In the first week we sold two, by the third week sales dropped to one. We changed descriptions but that did not work so bye-bye prawns.

"Mezzanine's greatest success has been pineapple curry with sweet pork and crab. I just did not think customers would be so

adventurous but it seems to be a dish with all the right combinations - curry, pineapple, crab and deep fried pork. All the regulars come back for it again and again.

"And thanks to a criticism you made we have introduced fresh mint, fresh lemongrass, green papaya and jasmine tea and the response has been startling."

Adam Robinson, chef/proprietor, The Brackenbury, London W6, (0181-748 01017): "Our hit of the year was undoubtedly Welsh mawmaw, a sanitised, whelk dish to make use of a much maligned mollusc.

"During the spring we found a great source of live whelks but nobody would eat them in their shells even when we gave them away as an *omnis-guis*. So we decided to disguise them into salt water overnight then boil them for 10 minutes the following morning. We then remove their shells, finely and mix them into a caper and herb mayonnaise. Delicious.

"The generic flop of the year has to be consommés. We have made them with herbs, with dumplings, with wild mushroom raviolis, with beetroot and finally we made a great summertime game consommé but we cannot give them away. Put it together with another great non-

seller - a glass of amontillado sherry - and we may just sell the odd bowl or two."

"The calamity of the year was something else again. We had managed to obtain some fresh pig's blood, a rare commodity, and a chef was filling the sausage casing to make black pudding mix. It took longer than anticipated and service started promptly at 7pm. The first orders, however, were accompanied by a dropped sausage casing and an explosion of blood and fat all over the kitchen and the chefs!"

Outside London

Sonya Kidney, The Marsh Goose, Morston-in-Marsh, Gloucestershire (01608-632111): "It seems as though the words cold terrine are just a complete turn-off and I wish I knew why. They taste great, present well and, although easy to serve, they are time consuming to make.

"We made a delicious chicken, spinach and ham terrine served with rosemary mayonnaise and toasted brioche but it did not sell. Perhaps because it is not cooked *à la minute*, customers do not perceive it as an attractive choice.

"By contrast our best selling dish - local beetroot with a grain mustard cream sauce and parmesan

fritters - was also one of the simplest. The beetroot is served whole if small or quartered, if large. Double cream is brought to the boil and the grain mustard whisked in; the beetroot is then added to warm through gently. Grated parmesan is added to choux paste and the fritters are cooked in the fryer. The beetroot is served with some of the sauce which now resembles the colour of a deep pink rose and the fritters are placed on top of the beetroot."

Scotland

Andrew Radford, Atrium, Edinburgh (0131-228 5883) explained: "Pigeon has been our biggest seller this year. Roasted and usually accompanied by roast shallots and parsnips or a root vegetable mash and juniper, it is extremely popular with our customers. And from a gross profit point of view the dish is a business hit.

"By contrast the most difficult thing to sell has been wildgeon. People consider it either a spelling mistake or just an unappealing sound, perhaps a bit too like wild-gout. Once explained that it is a small, wild duck with a delicious tender flesh, tasting slightly salty due to its diet, we manage to get a few to very satisfied customers."

Cookery / Philippa Davenport

Vegetable that needs more love

At the height of the white truffle season in Asti recently, I was treated to more than my fair share of the sublime fungus. I feasted, too, on magnificent beetroot, a root often despised and ridiculed in Britain but relished in Piedmont, where vegetables are treated with respect.

Most stalls in Asti's fruit and vegetable market sold leafy bunches of raw beetroot. Several offered trays of huge, freshly baked beetroot as well. I had not seen beetroot sold in this guise before, as unbecomingly as mud-caked objects from an archaeological dig, but, once stripped of ungainly coat, the jewel-rich colour of the flesh, the small and intense flavour, was irresistible. I brought a fair number home, bubble-wrapped. And, yes, I came home with a small white truffle, too.

The recipes that follow have been written with raw beetroot in mind, since raw beets are what cook-gardeners will have in store at this time of year, but ready-cooked beetroot from the shops can also be used - providing they are plainly cooked not the vinegar-soaked sort that used to be the only cooked option on sale in Britain.

The first recipe may appeal to those feeling a little fragile after a surfeit of turkey, plum pud and brandy butter. The second is a hearty meal-in-a-bowl to set you up before you go out first-footing at Hogmanay.

Just one word of warning. Wear rubber gloves when preparing beetroot or the tips of your fingernails will be stained for days.

BEETROOT, APPLE AND SMOKED TROUT WITH WALNUT AND HORSERADISH CREAM (serves 2-3)

I share the eastern European taste for teaming beetroot with the sting of horseradish and juicy crisp apple. Smoked fish makes a fine addition to this trio and it is worth seeking out superior fish smoked on the bone. Walnut and horseradish combine well for saucing - if the nuts are new season and freshly shelled. Staling dried kernels will spoil the results; better to use horseradish alone.

200g coarsely grated raw beetroot (prepared weight); 100g coarsely grated Cox (prepared weight); 200g-250g hot-smoked trout (weighed after skinning and filleting); 100g crème fraîche; finely grated horseradish to taste (use creamed horseradish if fresh is unavailable); 20-30g finely chopped walnut kernels; a few sprigs of green coriander.

Prepare the sauce first to allow time for the flavours to blend. Simply fold the horseradish (and nuts if using them) lightly into the cream, spoon the mixture into a small bowl, cover and chill.

I find a hox grater better than a food processor for preparing the vegetables - the shreds are not so fine, and there is less wastage. Grate the beetroot first then grate the apple straight into them and mix well so the apple is stained red without danger of browning from oxidation first.

Cut the trout into strips, pile it into the centre of a serving dish and sprinkle lightly with chopped coriander. Arrange the beetroot and apple at either end of the dish or in a ring around the fish, and hand round the sauce separately.



halved and cut into thin crescent moon slices; 1 garlic clove, very finely chopped; 1 teaspoon tomato paste plus 1 teaspoon sugar and a pinch of ground cloves all mixed to a paste with 2 tablespoons red wine vinegar; 1/4 litres duck stock (or good chicken or turkey stock or beef consommé).

Grate coarsely one of the trimmed and peeled beetroot and set it aside. Cut the rest into chunks and put them into a soup pan. Prepare the onion and garlic and add them to the pan together with the cold duck stock and vinegar paste. Prepare the kholrabi, parsnip and celeriac as described in the ingredients list and reserve each of them separately.

About 20 minutes before you want to serve this borsch, bring the contents of the soup pan slowly to a simmer. Simultaneously heat a sauté pan big enough to take the duck portions.

Put the duck, skin side down into the hot sauté pan. Immediately reduce to flame and cook the duck quite gently for 12 minutes. Turn the meat once or twice but cook it skin side down for the first 10 minutes to render the fat to avoid toughening the flesh. Drain it well at the end and let it rest in a low oven.

Meanwhile, when the contents of the soup pan reach simmering point, stir in the kholrabi and cook for five minutes. Add the parsnips and cook for a further five minutes. Then add the celeriac and grated beetroot and simmer for five minutes more or until the vegetables are done to your liking.

Ladle the mixture into a warmed soup tureen and season with salt, pepper, extra sugar and/or vinegar to taste. Slice the duck and stir it into the soup-cum-stew together with any duck juices excluded during resting and carving.

Christie's half-yearly finest and rarest wine sale realised some remarkable prices, led by a single bottle of Lafite 1791 from a Belgian family, which fetched £20,900 (10 per cent purchasers premium included in all prices). This wine was made

only 36 years after the death of the Marquis de Ségur, the proprietor, known as *le Prince des vignes*. Then

Appetisers

A wine at £20,900 a bottle

followed single bottles of Latour 1929 (£1,980), Latour '45 (£880), Cheval-Blanc '47 (£1,980), a magnum of Latour '51 (£1,980).

A case of six magnums of Latour 1982 fetched (£2,080), a magnum of Pétrus 1945 reached £5,280, and a case of six magnums and one of 12 bottles of the 1982 each made £3,800. Forty-eight bottles of Mouton-Rothschild 1947-1993, each bearing the label design of the year, reached £17,050.

Two Imperials (an Imperial equals eight bottles) of Le Pin 1990 made burgundies - The top red burgundies came from the Domaine de la Romanée-Conti; a bottle of

Romanée-Conti 1935 went for £280, and one of La Tache 1945 brought £290.

A bottle of 1822 Yquem made £6,880, one of 1947 brought £9,350 a bottle, while a case of the famous 1921 achieved £14,300.

Rhine wines, vintage port and fine old Madeiras - and mid-19th century cigars - were included in this mammoth sale. The total of the all-day, three-session sale was £900,000.

Edward Penning-Rousell

■ Lay & Wheeler of Colchester's annual wine sale is better than most. This year's opens at 8am on

Thursday, January 2 (on tel: 01206-764446, fax: 01206-56002; 584394/563626). Pommery champagne has been reduced from £18.24 to £14.99 a bottle; there are 27 cases of 1990 claret and 55 of 1988; some mature Delfax Premier Cru Chablis 1988 at £17.50; Ch de Trignon Gigondas 1993 down from £11.35 to £8.94; discounted wines from two of Australia's most respected producers, Hollick of Coonawarra and Reynolds of Hunter Valley; some old Californians that might be worth a punt: lots of Italians; and a fair selection of halves.

Jancis Robinson

■ Until stocks run out. Marks and Spencer is slashing prices of the following white bin ends, already recommended on these pages: scented Italian Malvasia del Salento 1994 (down from £2.79 to £2.99) and more limited stocks of two modern, dryish, fullish Klosterhof 1995 German Rieslings, Zell Castle and Johannsberg (£4.99 to £3.99).

■ Meanwhile, during January, Somerfield supermarket is knocking £2 off all the wines it has been selling for more than £7 a bottle. Beringer Cabernet Sauvignon at £8.19 looks a snip, and fans of full-throated Australian red should try to find a branch that stocks Penfolds Bin 407 1992, reduced to £8.15.

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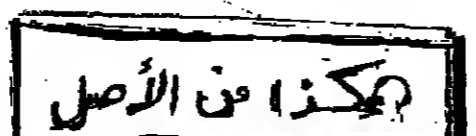
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SPORT

Magic moments, memories of '96

Gooch at his most sublime, Sampras at his gutsiest, Johnson at his most awesome. Sports fans have had value for money this year

We asked our regular FT sports writers to name their sporting moment of the year. Their choices ranged from the predictable - Peter Aspden on Michael Johnson's performance in the Olympic Games would have topped many a list - to the quirky - Huw Richards' very personal choice of rugby star Arwel Thomas's magic moment in the Five Nations championship. But all left an indelible mark on the memory.

Olympic Games

Peter Aspden

The Olympic men's 200m final was always going to threaten the world record. Its two favourites, Michael Johnson and Frankie Fredericks, were in resplendent form, Johnson stepping down in distance from his "best" event, the 400m, which he had won at a canter. Fredericks determined to make up for "only" winning silver in the 100m. And then there was that fast Atlanta track...

Johnson would say afterwards that he stumbled at the start. It was imperceptible. Both men were superb off the blocks. Coming into the bend, there was little to choose between them, the only certainty was that it was fast. Then, incredibly for a field of such quality, Johnson appeared to find another gear. Fredericks, running fast and true, must have received the shock of his life, seeing a blur on his left pulling away from him. The way he kept his concentration - he would finish just 0.02 seconds outside the old world record - was almost as impressive as the feat unravelling in front of him.

Johnson, short legs pumping with immaculate rhythm, destroyed the field in the last third of the race. The vulgar gold shoes crossed the line in an outrageous time - 19.32 seconds, beating the world record by more than three-tenths of a second. As in all improbable sporting moments, an unreal hush followed the roar of acclaim. Johnson looked as shocked as anyone. "My dad once bought me a go-cart when I was a kid and I used to go downhill on it," he said afterwards, "that feeling is the only thing I can compare it to." The rest - Fredericks included - might as well have been climbing a mountain.

Tennis

John Barrett

On a sultry, sweaty night at Flushing Meadows, defending champion Pete Sampras is near the point of collapse. He is playing Alex Corretja, an unseeded Spaniard, aged 22 and ranked 31 in the world.

Trailing unexpectedly by two sets to one, Sampras has fought back to take the fourth set 6-4. After more than four hours his reserves of energy are low. Fatigue and nausea are draining the energy from his legs. Corretja, fitter and faster, bounces up and down, sensing his moment of triumph.

In the tie-break that will end the match, the Spaniard, racing to his right, misses a forehand pass at 5-5. Match point to Sampras. But a forehand error makes it 6-6. Now a good serve brings match point to Corretja who waits while Sampras, clutching his stomach, shuffles towards the back fence, leans on his racket and vomits.

The umpire issues a time delay warning. Roars of protest from 19,000 throats. A lunging Sampras volleys makes it 7-7. Barely able to stand, the American gathers himself for a second serve. A gasp as he smites an unexpected ace. Match point again. Another delay as Corretja, visibly edgy, prepares to serve. Sampras totters into position.

The double fault that follows is one of the cruelest moments I have ever seen on a tennis court. Corretja staggers forward and crouches in an agony of disappointment. Sampras raises tired arms and shuffles towards the net where he meets his opponent in an embrace of mutual understanding.

Sampras has survived to his fifth US Open semi-final. Corretja has played the match of his life. "It was the best match of my career, and the worst one," said the loser. Sampras, who needed an intravenous drip to rehydrate after his ordeal, had proved he was a survivor. "I do care, I do have heart, I hate to lose," he said.

Motor racing

John Griffiths

There was not a dry eye in the house when Damon Hill took the chequered flag at Suzuka to win the 1996 Formula One world motor racing championship for which this talented, decent and honourable man had worked so hard.

Happily, the record books will show baldly that Hill was champion. Memories will fade that his



Johnson: elated



Gascoigne: ecstatic

Picture: Aepert

title was secured under the shadow of another whose talent it is now manifest, is indisputably greater. Hill is champion; Schumacher, Michael, is faster - by a country mile, and over every other current driver.

The truly defining moment of driver ability in 1996 came not when the flag fell at Suzuka, but when the heavens cried at Catalunya. Rain is the great leveller of grand prix cars; the distinguisher between the great and the only very good in terms of drivers.

Practice for the Spanish grand prix had proved what we all knew: that in the dry Schumacher's Ferrari was hopelessly uncompetitive. Then came the

Schumacher, too, was caught up emotionally in the rhythm of his and the Ferrari's dance

rain, and the final, certain knowledge that history will place Schumacher among motor racing's all-time greats.

In an awe-inspiring "moment" lasting 90 minutes, Schumacher positively danced his Ferrari along the very brink of the endless, slippery and deeply perilous precipice which all circuits become once rain-lashed.

Time after time after heart-stopping time, the red car's back end snapped out; only to be caught and held so swiftly, so surely that, by the chequered flag, high drama had become hypnotic routine. From mid-way down the field at the first corner, Schumacher was in the lead by lap 12. Thereafter, he romped away, faster than all others by four seconds - nearly 200 yards - a lap, to be 45 seconds ahead at the finish. Catalunya told us far more about this cool, calculating and, some insist, arrogant young German, than simply that he won.

Schumacher wanted to send a message: clear and demoralising to all rivals - that on a level playing field he is, simply, the best.

Yet, in the end, the moment also overtook the man. Schumacher, too, was caught up emotionally in the relentless rhythm of his and the Ferrari's dance. The display became one beyond tactics, strategies or points-scoring. Here was a man exulting in an innate talent, and even Hill fans exulted with him.

Rugby

Huw Richards

The last 12 months are liable to be remembered longest for off-field events, and in particular the

way in which the two codes transformed their traditional rivalry into competing to see which could self-destruct first. There was also some rugby.

A choice of highlight is inevitably personal, some might say biased. For me it was produced by a player whose team lost, and who was dropped two games later.

Arwel Thomas, then of Bristol, now of Swansea, was playing his first European Five Nations championship match - and only his second international of any kind - when Wales were awarded a penalty deep inside the England 22m line a few minutes into their meeting at Twickenham.

All the rules of rugby *realpolitik* said that Wales should kick for goal and take the easy three points on offer. In a percentage-playing game there was no other option. But Thomas took a quick tap penalty and Hemi Taylor forced his way over for a try.

It was not actually that well executed, the score owing as much as anything to English inattention. A well-drilled, disciplined percentage-playing team, they knew that sort of thing just did not happen in internationals. And that is the point. At its best rugby is a game of quick wit, imagination and doing the unexpected.

The best Welsh teams in particular have had those qualities. But recent teams, dispirited by poor results, looked inhibited - almost afraid - and bent above all else on damage limitation. The next few years are as likely to see Arwel Thomas joining the likes of Glyn Davies and Peter Morgan among the Welsh game's never-quite-as-ranking with Barry John or Cliff Morgan among the greats. But in that moment he showed us again a style that is not afraid, takes risks and reminds us why the game is worth watching in the first place.

Cricket

Teresa McLean

So often the most unlikely hero's play turns out to be enchanting. I was reminded of this when I agreed reluctantly to go to a 40-over thrash between Essex and the one-day experts Lancashire, at Chelmsford on Sunday June 9.

The river does not run so much as ooze through Chelmsford and I feared the Essex cricketers would do the same and produce a poor match. I did not mind which side won, but I did mind the prospect of a sunny afternoon wasted on bad cricket.

That is why Graham Gooch's mastery 87, scored in 62 minutes, was a delight. The only oozing it did was that of confidence. Its two outstanding features for me were its unexpectedness and its assurance. Gooch and Paul Richards' fourth wicket stand of 123 was the backbone of Essex's winning total of 249 for 6.



Faldo: majestic

Both batsmen were removed by Lancashire's energetically erratic Peter Martin in his eighth and final over, which ended with two wickets, two wides, two singles, a four and a farewell Gooch six to its name. The cricket was never dull.

I enjoyed Gooch's innings, with all its smooth scoring strokes, more than I enjoyed Mike Watkinson's brave and flamboyant 87 in reply because it came as more of a surprise. I had let myself forget Gooch's long history of scoring faster than it seems, in all kinds of cricket.

Baseball

Jurek Martin

It has not been a vintage year for spine-tingling moments, like Cal Ripken in 1995 hitting homers in the games he tied and then passed Lou Gehrig's durability record.

Excluded are Kerri Strug's Olympic vault (too short and bumpy), Evander Holyfield's knock-out of Mike Tyson (too primal) and Tiger Woods's spectacular arrival in professional golf (too single defining shot).

John Parisi, of the Federal Trade Commission in Washington, helped us out of the rough. He points out that baseball again this year touched not merely the spine but, literally, the heart.

It happened on the off-day between games five and six of the World Series.

The New York Yankees had turned an 0-2 deficit into a 3-2 lead but were facing the nonpareil Atlanta Brave pitcher, Greg Maddux, on his home turf on Saturday night.

Of many sub-texts in baseball's play-offs (recovered addicts, a player from Curacao, a 12-year-old extra fielder) none held greater human interest than the plight of Frank Torre, brother of

Yankee manager, Joe, in hospital desperately awaiting a heart transplant. Unlike Joe, Frank only made the major leagues briefly in the 1980s. But on that Friday a suitable heart was found and successfully installed. Parisi read about it on the Saturday morning and said to himself "that's it, Divine intervention, the Yankees must win".

As indeed they did that night. Or, as Joe Torre put it, "just like an old baseball player, he got a new heart on a travel day".

Beats jumping, punching and wedging any day.

The European Championship held in England was by no means a classic tournament, yet it featured its share of sublime moments: Karel Poborsky's

scoop-shot to knockout a pretty but ineffective Portuguese side; Devor Suker's wicked chip over Peter Schmelcher; Jürgen Klinsmann's explosive turn and finish against Russia. No matter how efficient and resilient modern defences have become - and they were extremely effective in this tournament - there are still certain players who can turn a game in a moment.

England suspected they had one of those in the wayward, prankish figure of Paul Gascoigne. Yet for a game and a half, he did little to justify his supporters' faith. In the game against Scotland, he puffed and strained to make an impression, but it was England who escaped lightly when David Seaman saved Gary McAllister's penalty.

Then, inspiration struck. A surging run forward, the deftest of flicks on the run with his left foot, an emphatic volley with his right. England were transformed. The goal, apart from swinging the game, had a talismanic effect on the side, which shed its inferiority complex and began to play with the sophistication demanded by international football.

England lost an epic semi-final against Germany, who went on to win the championship. But Gascoigne's goal made sure they went out with a certain amount of style. Football came home to a moment of native brilliance.

Golf

Derek Lawrenson

The Masters has long held a reputation for being the most exciting of golf's four major championships but what happened at Augusta last April went beyond drama. The last day's play developed into an epic and the repercussions for the two protagonists endured all year.

Yet with a round to play who could have guessed as much? Greg Norman had outplayed Nick Faldo over the closing holes of the third round to set up a six shot leading going into the final day. A coveted first green jacket, after so many disappointments, now appeared a formality.

Such a scenario discounted one impediment: that where Faldo is always inspired under pressure, Norman is often inhibited. If Faldo whittled away at the lead early on, then there was every chance that Norman would crack. So it proved.

The desperate sadness of watching a man unravel before one's eyes was weighed against admiration for a consummate stalker.

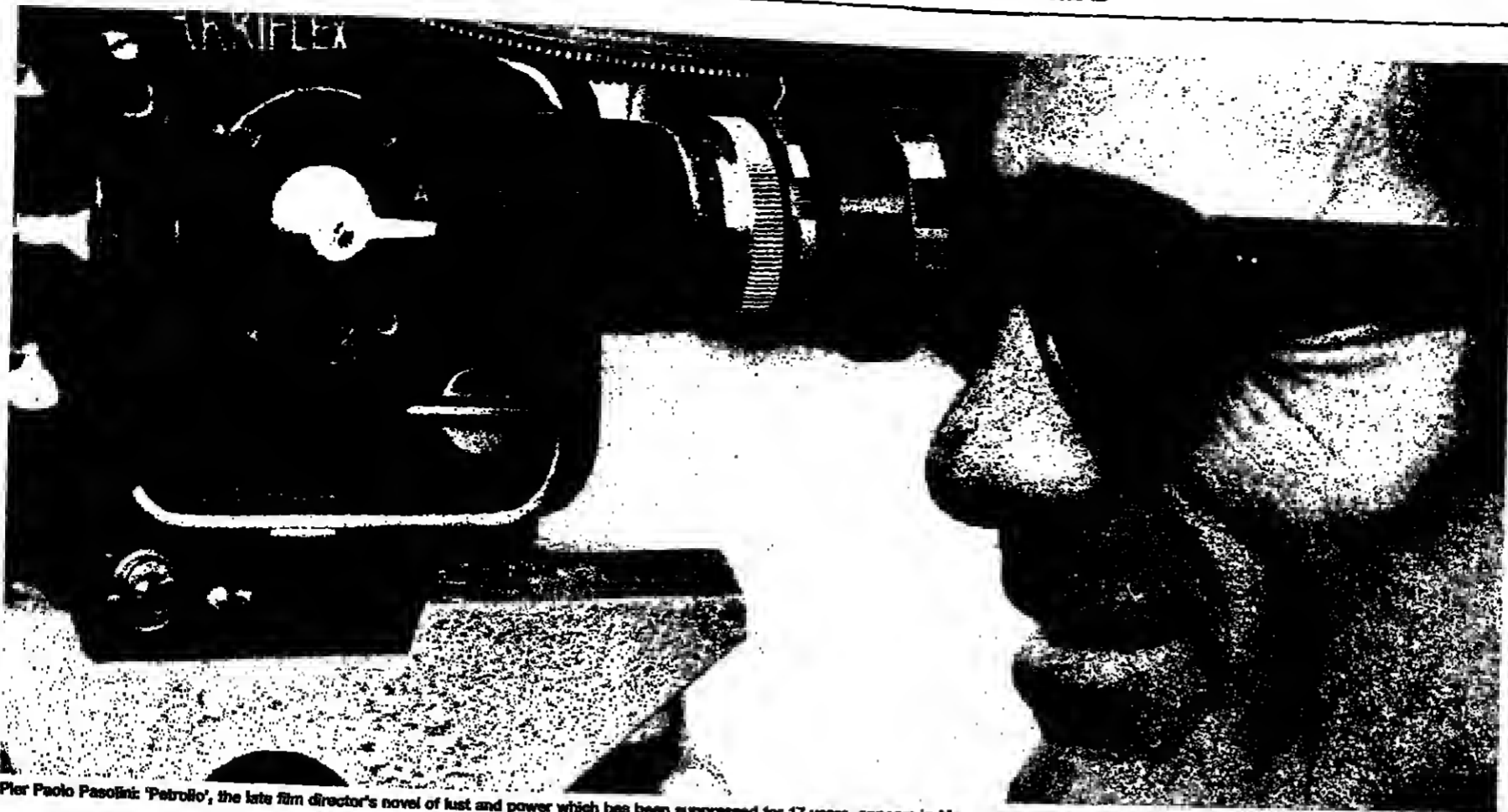
At the end Faldo hid his own joy to embrace the vanquished in a supreme sporting gesture. When he returned to Britain two months later he found himself showered with an affection that hitherto had always been missing. Norman, meanwhile, lost his appetite for the game. It will be Augusta next year before it fully returns.

Soccer

Peter Aspden

The European Championship held in England was by no means a classic tournament, yet it featured its share of sublime moments: Karel Poborsky's

BOOKS



Pier Paolo Pasolini: 'Petrolino', the late film director's novel of lust and power which has been suppressed for 17 years, appears in May

The Nobel Collection

Hedonism - and feminism

Jackie Wullschlager looks forward to what the publishers have in store for us during 1997

If you're feeling guilty about festive excesses, the perfect New Year cure is Richard Klein's "post-modern diet book", *Eat Fat* (Picador, January). Klein wrote the subversive *Cigarettes Are Sublime* and his celebration of fat - "Politicians cultivate it, singers require it, gourmets appreciate it, and lovers play with it" - is as iconoclastic. Along with other versions of hedonism-on-the-page such as Jared Diamond's *Why Is Sex Fun?* (Weidenfeld, June) and Peter Mandel's *The Fall and Rise of the Sateley Home* (Yale, April), about the post-1970s obsession with country houses and leisureed weekends, this marks a new 1990s genre of sophisticated commentaries on pleasure, the intellectual's riposte to bestselling cookbooks and wine guides.

The mood in the publishing industry, which enters the New Year with a \$120m debt of unearned advances, will be more serious. The search is on for young writers who can be groomed into the Jeffrey Archers of the next millennium, and eyes will be fixed on the fortunes of a handful of fat, new commercial novels which have bagged six-figure advances. These divide increasingly into his-and-hers niche markets: the slick, scientific techno-thriller, which flatters businessmen with fantasies of power and knowledge, versus the photocopier-and-faxman romance bought by working girls.

Michael Cordy gave up a \$70,000 a year marketing job to write *The Mirror Strain*, a biotechnological thriller about a scientist who invents a gene-scope, an instrument which decodes human genetic software. It was snatched up as one of 1997's likely bestsellers by Bantam Press for \$150,000. Hollywood rights are on the way. Similar books which have pre-earned large sums confirm that biotechnology and genetics will fuel the techno-thriller craze in the late 1990s. Paul Carson's *Scorpion* (Heinemann, July) is a medical page-turner set in a Dublin maternity hospital; Ken Follett's *The Third Twin* (Mac-

millan, February) hinges on a genetic research programme which a female scientist must uncover to solve a murder. Matthew Lynn's first novel *Insecurity* (Heinemann, April) also has a trendy woman scientist, at work on a vaccine against a deadly new virus, framed for a crime. A Danish rival, Michael Larsen's *Uncertainty* (Sceptre, January), is a European bestseller; a journalist searches, via computer-enhanced imagery, pornography and industrial theft, for his girlfriend's murderer. This is the quintessential 1990s plot - spun on a mix of the modern tools (drugs, computers, psychotherapy) with which we distance ourselves from ourselves.

The 1997 twist to international thrillers is a Hong Kong setting. John Burdett's *The Last Six Million Seconds* (Hodder, January) has a race-against-the-clock murder mystery to be solved before Hong Kong is handed back to the Chinese; in *The Year of Living Dangerously* (HarperCollins, June) John Gordon Davis pits a lawyer and a prostitute against a Mafia boss caught importing uranium into the colony.

Women's bestsellers look as sheltered as a Victorian nanny in comparison, but here too it is sophistication that earns fat advances. Marian Keyes, a 32-year-old accountant, received a "large six-figure sum" for *Lucy Sullivan is Getting Married* (Mandarin, February), a hangovers-and-angsting story which will take any urban female irresistibly back to her mid-20s, yet has a vein of romance running through its streaked bravado. It belongs to the smart gossip-with-girlfriends genre which is transforming 1990s women's fiction. Other examples: Jane Green's *Best Friends* (Heinemann, August), and - with literary pretensions - Louise Erdrich's tale of the erotic couplings of a tycoon's five wives in *Tales of Burning Love* (Flamingo, February) or Helen Dunmore's short stories *The Love of Fur Men* (Viking, June). It promises to be a fine year for

quality fiction. There is *Paradise* (Chatto, October) by Toni Morrison; Paul Theroux's *Collected Stories* (Hamish Hamilton, January); new novels from Tom Wolfe (Cape, October) and Peter Carey (Faber, September). Rose Tremain's *The Way I Found Her* (Sinclair Stevenson, May) tells of a teenage boy in Paris. *The Forsythia Symphony* (Chatto, May), testimony of a gay man who has outlived his friends, is the final part of Edmund White's autobiographical trilogy. Pier Paolo Pasolini's *Petrolino* (Secker, May) is a novel of lust and power which has been suppressed for 17 years.

Three big historical novels are Thomas Keneally's *The Great*

Titanic, has been a European bestseller translated into 22 languages. And Arundhati Roy received \$150,000 for her first novel about twins growing up in Kerala. *The God of Small Things* (Flamingo, June); will she be the Amy Tan of India?

Dominant *fin-de-siècle* themes emerging in non-fiction are (1) a non-dogmatic, popular feminism; and (2) an apocalyptic way-we-live-now social analysis. We are all supposed to be feminists, so a staggering number of serious books about women's identity are flooding the market. After *The Beauty Myth*, Naomi Wolf challenges the idea that now is the freest sexual era for women in *Promiscuities: An Opinionated History of Female Desire* (Chatto, April). If this sounds like teenage yraggag-and-pouting feminism, more weighty will be an overhaul of myths about the wise old woman archetype in Clarissa Pinkola Estés's *The Dangerous Woman* (Chatto, July). Joan Smith ranges from essays on Princess Diana to *The Story of O in Different for Girls: How Culture Creates Women* (Chatto, July), a look at female role models. Clare Longrigg's *Women in the Mafia* (Chatto, June) suggests that a new involvement of women in crime is triggering social revolution in Italy. A lone, impressive voice sounding out against them all will be psychiatrist Anthony Clare in *Men* (Sinclair Stevenson, October).

In *Histories* (Picador, May), feminist Elaine Showalter argues that hysteria, traditionally seen as a female disorder, is a universal illness. As radical a critique of our times comes from David Jenkins, former Bishop of Durham, in *Can We Think Again* (Sinclair Stevenson, May), about "markets, politics, people and God", and the trivialisation of the individual into a consumer. In *Frozen Desire: The Psychology of Money* (Macmillan, June), James Eubank surveys art, finance, and philosophy to show that money and its illusions of happiness has led the world to unprecedented instability.

Tom Athanasiou's *Slow Reckoning: The Ecology of A Divided Planet* (Secker, February), lays bare the fallacies of feel-good environmentalism and roots the environmental crisis in the rich/poor nation divide; Jared Diamond synthesises history and ecology in an enquiry into the reasons for this inequality in *Guns, Germs and Steel* (Cape, February). Science book of 1997 will be *What Remains To Be Discovered* (Macmillan, March); John Maddox argues that scientific knowledge is just at the beginning and takes us on a tour of the big questions - how did the universe begin? what is consciousness? - waiting to be answered in the next century.

Biographical highlights focus on the 18th and early 19th centuries: Claire Tomalin (Viking, September) and David Nokes (Fourth Estate, September) on *Jane Austen*, Andrew Motion on *Keats* (Faber, October), Phyllis Crossketh on *Byron: The Elusive Angel* (Hodder, February), Stella Tillyard on *Citizen Lord* (Chatto, April), a son of the wild Lennox family introduced in *Aristocrats* (Unknown quantities include Donald Rayfield on *Chekhov*, HarperCollins, June), Andrew Jay Hoffman's *Inventing Mark Twain* (Weidenfeld, June), another *Graham Greene* (Weidenfeld, May), by W.J. West. I much look forward to Paul Ferris on *Freud* (Sinclair Stevenson, September), A.N. Wilson on *Paul: The Mind of the Apostle* (Sinclair Stevenson, March), Frances Spalding on *Durham* (Chatto, May), Anthony Bailey on *Turner* (Sinclair Stevenson, May).

Finally, two mavericks will be among the most original books of 1997 - Noel Malcolm's *The Origins of English Nonsense* (HarperCollins, June); John Malcolm Russell's *From Nietzsche to New York* (Yale, April), a true detective story about the wheelings and dealings of Metropolitan Museum art collectors and Victorian heiresses, whose working title was "The Architect, The Industrialist, His Wife and Her Cousin".

Sophisticated commentaries on pleasure mark a new 1990s genre - along with the biotechnological thriller

Shame (Heinemann, September), about the 19th-century Irish diaspora after the famine. Fred D'Aguilar's *Feuding the Ghosts* (Chatto, June), a story of an 18th-century slave ship owner who threw 100 slaves into the sea - and what happened, on board and later in an English courtroom, when one of them managed to climb back on - and *The Nature of Blood* (Faber, February), Caryl Phillips' interlocking tales of an African general in Renaissance Venice and a Jew in Nazi Germany.

New names to watch: Ian Fears received a large advance for *Resistance of the Finger Post* (Cape, October), a historical/literary novel likened to *The Name of the Rose*. Norwegian Erik Eriksen's *Palin at Journey's End* (Secker, June) about seven musicians going down with

Happy singing the blues

B.B. King's signature tune is "Every Day I Have The Blues". But reading this good-natured biography it is sometimes hard to believe that it's true. Despite taking more than 20 years to reach the mass audience, King has always been the most accessible of bluesmen, visibly trying to please his audience. It is a form of seduction, and love appears to be the key to King's life.

According to his recollections, B.B. was six years old when he began making love with his seven-year old sweetheart. He has spread himself wide, if not thin, ever since, fathering 15 children. Although he would appear to have remained true to only one partner, his famous guitar, Lucille, he also reveals that there have been 17 Lucilles.

Riley B. King's father left his mother, only to reclaim young B.B. after his mother's early death. This double-abandonment produced a premature self-sufficiency in King. King found his own work-ethic rewarded by sympathetic authority figures, both black and white. This gave him the foundation which resulted in his eventual move to Memphis to make it in the music business.

King's early blues influences were his cousin Bukka White, Slim Lemon Jefferson, and Lonnie Johnson. But radio brought all kinds of music his way, and from the first his tastes were eclectic, embracing jazz and white country music as well as the blues. His easy approach owes much to Louis Jordan, just as today's leading popular bluesman, Robert Cray, owes much to King.

He began playing the music on the radio before he took off for the hard life of performing on the road. Although his music was popular from the start with black audiences, he missed the first chance to "cross-

over" to whites in the 1950s because his mix of blues, pop, and jazz was not "authentic" enough.

He was discovered by the mass white audience through the adulation of white musicians, many of whom were British. King's generosity of spirit toward white imitators of the blues such as Mike Bloomfield, Bonnie Raitt or Eric Clapton was seen by many "purists" as a sellout. Yet his gratitude is real, and his generosity of spirit is the keynote of this book.

King was influenced by many people, and helped by many more, along the way: he acknowledges all of it. Yet it is his remarkable talent for seductive blues-sing-

BLUES ALL AROUND ME: B.B. KING THE AUTOBIOGRAPHY
B.B. King with David Ritz
Hodder & Stoughton £13.99, 324 pages

ing that made him a world-wide star. There is little room for negatives, whether they be the pain of his upbringing in a racist society, or the perils of the music business. Lots of thanks and no regrets. As a show-biz biography, it could have been bland. But this is B.B. King. It works.

I once sat in on a talk to a small group of music students which Dr. King (he has four honorary degrees, including one from Yale) gave, in which he described each of his guitar influences, while imitating their styles perfectly. Everyone from Django Reinhardt to Wes Montgomery was demonstrated, all the blues greats, and then King began to play his own style. A group of highly trained musicians was mesmerised. "The Thrill is Gone" was King's biggest hit. The thrill of B.B. King is never gone.

Michael Carlson



Seductive: B.B. King

The year's literary prizes have been given away. Editors have published their selections from this year's crop. For publishers, these are days of reckoning.

Which are the titles that they most envy their competitors? Were they surprised by others' unlikely triumphs, or mortified by their undeserved successes? Which were the year's really special titles, books any publisher would be proud of? And which were those that they are relieved to have turned down? We invited 10 London publishers to share their pre-Christmas thoughts and end-of-year regrets.

Sue Fletcher, Hodder & Stoughton: "The novel I most wish I had published is Kate Atkinson's *Behind the Scenes at the Museum* (Doubleday/Black Swan), out in paperback this year. I was the underbidder and it remains the one I mind most about having lost. Dava Sobel's *Longitude* (Fourth

The ones that got away

Susanna Rustin asked 10 publishers which books they would have most liked to publish during 1996, the ones they were proudest of and the ones they were glad to have missed

Reading in the Dark (Cape). I would love to have published Lisa Jardine's *Worldly Goods* (Macmillan), which deals with a period and a subject which fascinates me. I was a disappointed underbidder for Jessica Douglas-Hume's *Violet: The Life and Loves of Violet Gordon Woodhouse*. *Longitude* is the book that any publisher would be proud of, especially now that it has sold 100,000 copies. I do regret turning down Alex Garland's first novel *The Beach* (Viking), which I did because the author is a friend's son. The book has done better than I expected or even hoped."

Ursula Mackenzie, Transworld: "There are two novels I would like to have published - Robinton Mistry's *A Fine Balance* (Faber) which is a splendidly rich and vivid story, Dickensian certainly and, like Dickens, very readable, and Scott Turrow's *The Laws of Our Fathers* (Viking), which we bid for but lost, a novel which made me think about the legacy of the 1960s in an entirely new way. On the non-fiction front, we were underbidder for *Angela's Ashes* (HarperCollins) by Frank McCourt. Beautifully written, evocative, shocking, funny - a

memoir to be savoured."

Hilary Hale, Little Brown: "I have to declare an interest in my favourite novel *Drumseyra* (Michael Joseph) by my husband. That said, it is an absorbing story with a perfectly painted background and I know I'll often re-read it for pleasure and comfort. I'd also have loved to publish Frances Fyfe's *Without Consent* (Bantam). Her portrayal of evil is chilling and she points out the faults of the justice system more succinctly than all the politicians put together. I am certainly envious of Viking publishing Alec Guinness's *My Name Escapes Me* and I'd guess more than a few publishers would have liked to be behind *Longitude*. I am proud to have published *Hilary's Wilby Executions* by Daniel Goldthagen which is of lasting importance, and relieved not to have been associated with Fergie's *My Story* (Simon & Schuster) which I'd have had no problem in rejecting."

Clare Alexander, Viking: "The two books I most wish I'd published are both about Ireland. Frank McCourt's *Angela's Ashes* is powerful and compelling, a best seller in America and I believe in

Ireland, but overshadowed in Britain by Seamus Deane's *Reading in the Dark*, my other choice. I had heard Bill Boothroyd talk about his novel for years and had become sceptical that it would ever appear. This exquisite book was more than worth the wait."

Jon Trewin, Weidenfeld & Nicolson: "Fiction highlights for me this year have been familiar names: the new *Le Carré*, Beryl Bainbridge, Margaret Drabble (urgently out of fashion), Melynn Bragg. I would have liked to publish them all, but if I had to choose one then it would be the unexpected which lingers in the memory - *Anglum* (Viking) by Patrick McGrath which sets sexual obsession and pathological jealousy against the backdrop of a remote mental hospital. I'd have given my eye teeth to publish *The Letters of Nancy Mitford and Evelyn Waugh* (Hodder), brilliantly edited by Charlotte Mosley. A *Gentleman Publisher's* *Commonplace Book* by John G. Murray (who also published it) is like a plum pudding, oddities, bon mots and proverbs, but what riches. I recall his delight in hearing of a butcher's shop in West-

moreland: "John Murray, seller of tripe". The single title I'd have been most proud of is Richard Mabey's *Flora Britannica* (Sinclair Stevenson). Magnificently assembled, marvellously published. The book impossible to turn down - but thank God one did - is the Duchess of York's memoirs."

Dan Franklyn, Jonathan Cape: "The non-fiction title I'm envious of is of course *Longitude*. We offered for it, but had no inkling it would do so well. The novel I would most love to have published (apart from Seamus Deane, who we did publish) is Bill Bryson's *Notes from a Small Island* (Transworld). I published Bill's early books, but I'm speechless with admiration for what Transworld have done with this one. I'm joyful glad I didn't publish *Op JB*, but I did turn it down several years ago."

Robin Baird-Smith, Duckworth: "The novel I wish I had published is *The Arizona Game* (Chatto) by Georgia Hamrick. It would have been most proud of Brian Brivette's biography of Hugh Gaitskell (Richard Cohen Books). Fergie's and Gorbachev's memoirs would both have been impossible to turn down but I am relieved not to have been connected with either."

Christopher Potter, Fourth Estate: "The novels I have enjoyed most this year have been *The Arizona Game* by Georgia Hamrick and *The Giant's House* (Cape) by Elizabeth McCracken. I have always wanted to publish Beryl Bainbridge and Jane Gardam, both of whom had novels out this year, and both of whom seem to get better and better. Oh, and then there is Muriel Spark, of course. I lost out at auction on *The Neanderthal Enigma* by James Shreeve (Viking), the best sort of popular science. I would like to have even though it seems to have received little attention."

Jonathan Riley, Picador: "The novel I most wish Picador had published is Patrick McGrath's *Asylum* (Viking) which confirms McGrath's status as one of the most powerfully imaginative writers of fiction today. My favourite non-fiction title was Redmond O'Hanlon's *Convo Journey* (Hamish Hamilton) which is, I think, the best book yet by this incomparable traveller. The single title I would have

been most proud to publish is Norman Davies's *Europe: A History* (OUP) which has been acclaimed as the best one volume work on its subject we are likely to see for a generation.

Cecile Welch, Sceptre: "One of the novels I would most like to have published is *The Insult* by Rupert Thomson, an exceptional writer who does not receive as much attention or have as large a readership as he deserves. There have been several excellent literary biographies, including Rosemary Ashton's biography of George Eliot and Hermione Lee's *Virginia Woolf* (Chatto), but not one I think that has so outperformed the rest that it is the envy of the trade. The non-fiction title whose spectacular sales everyone must envy is *Longitude*. I am most relieved not to have been connected with any of the Fergie books. Finally, I would have been proud to have published *Last Orders* by Graham Swift (Picador), not because it's an excellent novel, but because its success has so thoroughly vindicated the faith that Picador have kept in a writer whom many thought would never equal his debut."

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ARTS



Albert Finney, Tom Courtenay and Ken Stott in Yasmina Réza's 'Art', which has been called both the best and the worst play of the year

Theatre in 1996/Alastair Macaulay

A year of lustrous parts

Was this a good year? In March, London theatre reached what seemed its most parlous condition in living memory. Was this a bad year? In October, London theatre seemed a cornucopia, a cause for local pride. In truth, there is always so much theatre in London that no-one can keep track of all of it; and perhaps this fact alone is reason for pride. Still, quantity is not quality. In March, when Richard O'Brien launched his *Disgracefully Yours* - a rock would-be celebration of sin and hell - at the Comedy Theatre, the West End reached a new trough. That was much-lived, as was the much-ridiculed American musical *The Fields of Ambrosia*. However, some of 1996's other West End horrors - such as *Martin Guerre*, the latest Blouh-Schönberg brand of pseudo-idealistic pulp, and *By Jeeves!*, Andrew Lloyd Webber's and Alan Ayckbourn's predictable and torpid tour through Bertie Wooster country - are still with us, and are still a blight on the legend of London theatre. Ned Sherrin's new production of *Salad Days*, which ran for several months, was another headlong excursion into the banal. Every year in London, musicals grow more pervasive and, alas, worse; worse, be it noted, than any even the worst plays, of which 1996 also contributed its share.

And yet 1996, especially in its latter half, produced so large a number of theatrical glories that it deserves a lustrous place in the annals. Old plays by Euripides, Ibsen (three), and Beckett (two) came up looking more marvellous than ever. New or recent plays by Jim Cartwright, David Hare, Harold Pinter, Stephen Pollakoff (two), Craig Raine, Yasmina Réza, Wallace Shawn and Peter Whelan brought fresh eloquence and excitement to the London scene, as did new plays by Ben Elton and David Ives to the Nottingham Playhouse, in a notable year there. New playwrights of accomplishment and talent popped up. It seemed, every month. And there

were many outstanding performances by British actors. Several of this year's great performances have occurred in plays by Ibsen, in a blazingly sure performance, Janet McTeer carries an already excellent production of *A Doll's House* on what seems an unbroken wave of energy. Paul Scofield, Vanessa Redgrave, Eileen Atkins, and Michael Bryant devoted their contrasting and exceptional talents to reilluminating *John Gabriel Borkman*: a major event. At Chichester, Harriet Walter was a definitive Hedda Gabler, self-contradictory and self-destructive. She and Saskia Reeves were also wonderfully displayed, in roles full of surprise, by Pollakoff's *Sweet Panic*; and Frances de la Tour gave a seamless, stirring performance in the same playwright's *Blinded by the Sun*. Lindsay Duncan - lyrical, witty, poignant, divine - irradiated Pinter's *Ashes to Ashes*, in a performance of matchless economy. Maggie Smith, at her most laser-beam-like, and Margaret Tyzack, in gruffly noble form, showed how well Alan Bennett's *Talking Heads* suits live performance. Michael Gambon brought his extraordinary force, hilarity and vehemence, to Hare's *Skylight*. Albert Finney, Tom Courtenay, and Ken Stott were finely showcased by Matthew Warchus's production of Réza's *Art*. The Irish actress, Rosaleen Linehan, carried the Dublin Gate production of Beckett's *Happy Days* (seen here at the Almeida) in a superbly judged performance of immense humanity, humour, and poetic eloquence.

These were wonders. By such high standards, Diana Rigg's award-winning *Martha in Who's Afraid of Virginia Woolf?* will not do like everything this actress has done throughout the 1990s, this performance seemed to be delivered in quotation marks, as if announcing "I am giving a Great Performance". The most sublime performances of the year came from Irene Worth. In three different programmes over the course of



Janet McTeer, who carries an already excellent production of 'A Doll's House' on what seems an unbroken wave of energy

a single week at the Almeida. Truth, variety, musically, beauty, daring: all these were present in abundance. Above a high number and wide range of new plays, Pinter's *Ashes to Ashes* (at the Royal Court) stands out, head and shoulders. What it says ("No man is an island") is hauntingly refracted amid dialogue of the utmost tension and ambiguity. How amazing this is: while numerous playwrights half his age are turning out new plays about good old social realism, or melodrama, or - oh dear - important ideas, it is Pinter who is still doing most to advance the art of dramatic writing. The only other playwright whose work seems equally advanced is Wallace Shawn. His *The Designated Mourner* (at the National Theatre) was baffling, and its leading role not given full justice by Mike Nichols (reading from autocue); but its current of language lingered afterwards in the mind with disturbing power. I hope to see it again. The Canadian actress Claire Coulter, at the Edinburgh Festival Fringe, performed Shawn's *The Fever* with an urgent power that revealed this monologue as exceptional (in January she will perform this at the Royal Court). The Royal Court has kept

up activity in three different auditoria throughout most of the year, all three bang in the centre of the West End, while the home theatre is being rebuilt, and has done most to set the town talking about new plays. About new playwrights, too: Jez Butterworth (*Mojo*), Ayub Khan Din (*East is East*), Martin McDonagh (*The Beauty Queen of Leenane*), Mark Ravenhill (*Shopping and Fucking*) are among those who have become hot names now. Let me also, however, commend Samuel Anderson's poignant *Clocks and Whistles* (at the Bush Theatre). Homosexuality, physical violence, foul language, and explicit sex are still the boom themes for new plays: *Shopping and Fucking* and Sarah Kane's *Phaedra's Love* (at the Gate) come tied first for this year's most drastic forays into all these categories. There were, of course, dreadful new plays too. The National gave us two of them: Pam Gems's *Stanley* and David Lan's *The Ends of the Earth*. But it also gave us *Blinded by the Sun*, one of the two stimulating and surprising new plays by Pollakoff. Yasmina Réza's *Art* has been called the best and the worst play of the year. I was immediately delighted by it, but find that it diminishes with recollection; and I

am curious to see it again. It was a particularly poor year for the national playwright, I saw only one Shakespeare production of real distinction: Tim Supple's unusually sober view of *The Comedy of Errors*, as moving as it was funny, at the Royal Shakespeare Company. For some other classic playwrights, however, 1996 was bright. The young director Katie Mitchell, working at both ends of the chronological spectrum, did marvels with one of Euripides's most apparently awkward plays, *The Phoenician Women* (at the RSC) and with Beckett's *Endgame* (at the Donmar Warehouse). The *Phoenician Women*, as unravelling a production of a Greek tragedy as I have known, is one of several stagings in recent years to reveal Euripides's stature; the *Endgame*, despite some insufficiently economical acting, displayed even to agnostics the humour and life-enhancing humanity in Beckett. Ibsen needs no defenders these days; and yet the three Ibsen productions I have mentioned - *John Gabriel Borkman* directed by Richard Eyre at the National, *Hedda Gabler* directed by Lindy Davies at Chichester, *A Doll's House* directed by Anthony Clark at the Playhouse - showed me more than any previous productions how rewarding Ibsen is, how narratively taut in twists and turns, how poetically multifaceted in meaning.

Reevaluation is one of the most rewarding aspects of criticism. And the best way to reevaluate plays is by seeing them in new productions. A year ago, I rated Chekhov higher than Ibsen. Now, I am by no means so sure. The new Tennessee Williams I see, the more I feel that he was one of those playwrights who could not not write well for the stage; and it was as good to see his rare *In the Bar of a Tokyo Hotel* at the Glasgow Citizens Theatre as his *On a Hot Tin Roof* at the Harrogate Theatre. However, even the best production of one of the best plays by Arthur Miller - John Doyle's stag-

ing of *A View from the Bridge* at York's Theatre Royal, with the first-rate Vincenzo Nicolosi as Eddie Carbone - cannot stop my esteem for this playwright from sinking lower. As for the National's staging of *Death of a Salesman*, it demonstrated plainly that David Thacker - Britain's foremost director of Miller's plays - only exposed the well-meaning hollowhollowness of Miller's work. A playwright I never cease to change my mind about - this year, with both *Talking Heads* and *Habeas Corpus* (the latter directed at the Donmar Warehouse by Sam Mendes) - is Alan Bennett. A supreme satirist, I am not sure that he should be called a playwright at all. He never creates a world onstage; and his conception of individual human character is depressingly fixed. Although he is more witty than, say, Alan Ayckbourn, his plays are far less marked by dramatic variety and psychological flexibility. And the cleverly "English" smallness of spirit that characterises his writing makes me dislike England. Yet in *A Bed Among the Lentils* - the monologue that Maggie Smith, as Susan the vicar's alcoholic wife, delivers so mordantly - he transcends himself, by showing how Susan's small-spirited Englishness keeps on contemplating the exotic (Mr Ramesh Ranesh, the Indian who runs the off-licence) and the divinity.

Critics often sound like authorities. But they are better when they work like investigators. And they are happiest when they respond like fans. When a production excites me, I want to see it again; and there were seven theatre productions I managed to see twice during 1996. *Ashes to Ashes*, *The Changing Room* (James Macdonald's Royal Court staging of David Storey's 1971 play), *Endgame*, *Happy Days*, *John Gabriel Borkman*. Other stagings - *The Phoenician Women*, the Chichester *Hedda Gabler* - I only wish I had seen a second time during their run; others - *A Doll's House*, *Art* - I hope to see a second time early in the New Year. Not a bad way to end the old one.

Theatre in Paris

Drama in haute couture

The French have a classical style in acting to which there is no British equivalent. Whether it is dreadful (in my experience, often), or marvellous (in a very few productions), it is deeply French, fascinating, and - to this British eye and ear - wholly exotic. It is most famously associated, of course, with the Comédie-Française. No British Hamlet would deliver "To be or not to be" with the complete stillness and economy with which Redjep Mitrovitsa delivered it there in early 1994. As I recall, he spoke it ("Etre ou non être") at the centre of the front of the stage, without once shifting a foot. During the speech's first third, he moved not a muscle. During the second third, he raised his arms, held them during a climax, then let them drop. In the last third, he again moved not at all. Voice, eyes, bone-structure alone held the audience; and what they told of Hamlet's nobility and agony of mind. Wonderful.

Equally full of haunting stillness was Yannis Kokkos's 1991 staging, at the Comédie-Française, of Racine's *Phèdre*. Those tragic triangular dilemmas that are so thrilling a feat of Racine's work became, in this staging, breathing geometries, in which the space between long immobile characters became charged with expressive tension. Such tension derives largely from the extraordinarily noble stance of the actors, beautifully composed, and mesmerising in stillness.

But, while they do not move, they speak and, through the handsomely liquid current of the actors' vocal tone, the intense pulse of the rhymes and metres of Racine's verse keeps hammering into the air. And, just sometimes, they gesture. I well recall how Iphigénie (Valérie Drévieux) listening, suddenly raised an urgent arm in mute appeal to the speaker; held it, while still listening; and then, flurried at what she heard, slowly let it drop to her side.

More often, alas, the Comédie-Française presents acting that is glamorous, refined, but wholly concerned with surface effects. Such a staging is the current one of Racine's *Phèdre*, directed by Anne Delbée, with costumes by - oh yes - Christian Lacroix in his most prettily fridescant notion of Louise Quatorze haute couture. Again, I admire the technical finesse with which these actors create, phrase, gesture, and stand. Many a ballet dancer could learn about *port de bras* from these French actors; many a singer about flowing vocal cantilena.

Many a model, for that matter, could learn from them about *maquillage*. (Specially credited in this production to Philippe Rouvet.) How the eye lingers on the lovely colour scheme with which Eric Génovèse, as Hippolyte, makes his face more memorable: a dully glowing whiter shade of pale perfectly turning into a

gleaming rose-pink on the cheekbones themselves. His lipgloss was a poem in itself; my lexicon is too limited to describe it. His and other actors' voices were made of honey, peonies, port, oysters, everything gorgeous, and Racine's metres were intoned with magisterial and lavish power. And it is all appalling, and deadly dull - even though the production, more or less outrageously, makes out that Hippolyte actually eggs on his stepmother Phèdre, in loving him. Minor characters are dressed as if to embody the rival goddesses Diane and Vénus, and pretentiously exert a ghastly ritual warfare over the leading characters. What tension there is - usually produced by that Comédie-Française stalwart, Martine Chevallier, in the title role - is ostentatiously contrived, with sudden (and exaggerated) changes of volume (Chevallier's *pianissimo* is especially fine), and a laboriously

'Phèdre' - dressed by Lacroix, intoned with magisterial power - was appalling

achieved tragic solemnity. I never thought the day would come when I found a Comédie-Française artiste technically inadequate in verse-speaking; but Céline Samie, glorious to look at as Aricie (Hippolyte's not very *bien-aimée* in this production) but a grandiose bore to listen to, ended her every Alexandrine with the same vocal downward slide. Meanwhile, at l'Europe, the French classical style is applied to Christopher Marlowe's *Edward II*. This production, however, is as bleakly austere as the Comédie-Française *Phèdre* is elaborately embellished. *Edward II* has plenty of impulse and action, but here one is more aware of one's bleak impasse after another.

The result - though long, at three hours and a half - is highly impressive. Even the vocal beauty of the Comédie-Française style has been pared away here, and though the actors can all stand still for long periods with absolute assurance they do so with not a jot of glamour. As with the 1994 Comédie-Française *Hamlet*, the old English play acquires an unusual new power in this French rendition. Certain physical motifs - notably, a foetal pose on the floor - are schematically deployed; arm gestures, though very seldom employed and very seldom "natural", are given complete force. Tension keeps emanating through the seemingly subdued style of both speech and stance. And the plot, thus severely displayed, becomes enthralling.

A.M.

Radio/Martin Hoyle

Glimpses of how we live now

If you picked your way through the BBC's dogged Americanisation of the ether, it was possible to piece together a family Christmas on the radio: glimpses of how we live now, not sentimental but often touching, funny and engaging. Radio 5 came up with a near-Dickensian benefactor in *Laurence Batley: 20th-Century Victorian*, a spry 65-year-old whose endowments include an art gallery, sports grounds and the splendid Lawrence Batley Theatre in Huddersfield. The dapper Yorkshireman was approaching middle-age and retirement when he developed his cash and carry business. To his sporting interests we owe golf tournaments and the Lawrence Batley Handicap (at York races, where he takes the workforce on mass outings like those of his youth). A study in entrepreneurial

self-reliance to warm the heart of any Grantham grocer's daughter, in fact. But not entirely. "Liverpool was a great problem," he admitted: there he had a staff of 120 doing the work of 80, but refused to make any redundancies. He believes business is built on mutual trust. Not quite the perfect Thatcherite, perhaps. "I've always had staff who stayed with me for years and years, and years," more or less echoed his sentiments; but the speaker was Viscountess Scarsdale, a formidable 91-year-old. In Boxing Day's *Paul Companion* on Radio 4 we met her ladyship and Nancy Gammage, her

live-in companion-secretary-cook-chauffeur. They get on well, though Nancy is sometimes lonely, misses her own family (she is in her 60s) and would like her own things around her. These perfectly adjusted and sensible women were set off by the inanity of many of an awestruck Simon Parkes' questions. The gardens created by the Viscountess in the modest home she found after leaving Kedleston Hall moved him to wonder. "What were the huge stone balls, like cannon shells?" "I haven't the faintest idea," replied Lady S in the tones of one who has lived long and grown to suffer fools

almost absent-mindedly. "You don't miss Robert Adam's great sweeping staircases?" "Of course I miss them," replied the peeress with the faintest touch of asperity. It was a good season for filled ladies on the air. On Christmas Day the Countess of Bradford organised (she would have made a good world war commander, opined the obedient Earl) one of the three households visited during last year's festivities in *Our Christmas*. The most endearing was a loud, cheerful and affectionate northern family headed by Mark, nicknamed "Magical Marco" and one could

understand why. He adores Christmas, insisted on putting the 30-foot tree up in the garden at the beginning of December and, in the opinion of his long-suffering wife, had gone "over the top" in his passion for Santa Claus and fairy-lights around each window. She would have preferred something simple in red and gold, proving herself a sister under the skin to Lady Bradford, who had imposed this theme on her more complacent husband. The third household consisted of three flatmates, brash young men whose laughter had that mirthless quality associated with these-

trials ("Martin and I met at drama school") and whose forced hilarity at times barely concealed growing irritation during the Yuletide preparations. Champagne was universally popped - pink up north - as the great day got under rather hectic way. The northerners recalled deaths: the concomitant of a loving extended family is the grief at loss; and there seemed to have been many. Mum guiltily admitted dreams of idle, sunny beaches but then thought of the family and how selfish that would be. Mark wanted Tom to have the toys he never had as a poor child. The young

Bradfords tore at their presents, unaware that their father's 58th death duty bill had removed them from the glories of Weston Park. The flatmates have been at the chambers since shortly after getting up. Mark sadly recalls a family feud with "our Graham" who cuts him dead if they meet. Mum remembers their best Christmas dinner, with 17 all told, and the worst, after her mother died and she found she had a lump. The Countess would love hired help but resigns herself: "I shall be here for the next 30 years, hopefully doing the same thing." Up north tears give way to Mag-

ical Marco, dreaming of the lottery and a Hawaiian beach. "but I wouldn't go without the family."

One of the three blokes recalls a lonely, broke Christmas with a "little weep" over a Bernard Matthews turkey dinner. The Earl cheerfully addresses himself to the washing-up. Up north Mark earnestly abjures us. "You've got to be happy." He mischievously leaves the sound on, recording Nana's snores as he tips toes away. I hope, I do hope, it will be the same next Christmas.

ART GALLERIES

ANNE REDPATH/JOAN EARDLEY and 18th January 1997, Currier P Miller Gallery, 1st West Regent St, Glasgow 0141 204 0708 for information.

ARTS

Orchestras in tune with the times

Concerts in 1996/David Murray

In Vienna you can hear more of the best German-language opera and *Lieder* singers, a great orchestra, and chamber-ensembles steeped in the Viennese-classical tradition. In New York, more of the best Italians and the native voices, who nowadays form a sizeable proportion of the world's most thoroughgoing professionals, the NY Philharmonic, a constant stream of fine visiting bands and instant appearances by any soloist who has created a sensation somewhere. Paris, Berlin and Amsterdam have their own strengths, slightly more parochial.

But the enormously wide range of "classical" music in London is unequalled, its catchment-area for European artists spread wide and judiciously, the average quality of the performances remarkably high: I believe we are uniquely lucky. An extraordinary number of non-British performers choose to live in London, even when their careers are

largely abroad - as much because of the rich musical fare here as of the convenience of Heathrow, with flights to almost anywhere where they might be giving concerts.

You might suppose, on account of press reports, that London's main orchestras (five of them, an extravagant number) and opera-houses (two, like New York and Vienna) are in imminent peril of collapse and bankruptcy. Indeed, you may have thought that for several years, and yet none of those national treasures has foundered. The Royal Opera may have pulled in its horns - very few new productions, many dogged recycles of old ones - for the last few months before it shuts for rebuilding, but the ENO's programme positively bristles with novelties.

Meanwhile the Wigmore

Hall, under Bill Lyne's canny direction, is sold out again and again for solo recitals and chamber music. Performers love it for its perfect acoustics; somebody in the Kahnso Festival team, rehearsing there last year, exclaimed "It's like playing inside a Strad!"

Admittedly it is "elitist". The Wigmore holds a nightly audience of less than 500, and quite often its devoted subscribers gobble up all the seats before the general public gets a look-in. We could well do with another London hall designed for an audience of 600 or 800, if it came anywhere near to matching the Wigmore sound - an acoustic that leaves your best CDs sounding flat and distant.

By various ruses, our five chief orchestras survive in the bigger halls. The LSO,

through its secure Barbican residency and the return of Sir Colin Davis as its principal conductor; the BBC SO through public funding, but also by boldly imaginative programming and promotion. Last month its eminently worthwhile but unlikely performance of William Bolcom's *Songs of Innocence and of Experience* after Blake - Bolcom is a jolly American eclectic, hardly known here - managed to draw almost a full house at the Royal Festival Hall. Its recent policy of selling all-unreserved seats at a modest fixed price has paid off extremely well.

The struggling Royal Philharmonic has decamped to the Albert Hall, hoping there to enhance its reputation beyond the bargain-CD market. Though it has a trump card in its

new conductor Daniele Gatti, prior commitments mean that he can begin full-time operation with the orchestra only from March; we wait to hear.

Just in the nick of time, the Philharmonia has acquired Christoph von Dohnányi as its principal conductor, who should assure their future for a good while. Only the London Philharmonic dangles in the wind, excellent though it is: since Klaus Tennstedt withdrew as its principal conductor it has been in desperate need of a full-time conductor with clout, and so far have not found him.

The times are difficult for classical orchestras, but not only in Britain. A major American orchestra on tour has been on the verge of striking on the very day it was to reach Vienna; and a

week or so after one of the great performances I heard this year - of Bruckner's Third Symphony, by Kurt Masur and his Leipzig Gewandhaus orchestra - that conductor resigned in dudgeon over the bureaucratic and financial constraints that were cramping his musical work.

Though nobody says it, the fundamental problem is that the classical symphonic repertoire was budgeted for by lowly, ill-paid musicians, and is now played by highly trained and well-rewarded ones. The figures don't add up: respectable wages for an orchestra of a hundred or more expert players trained to stringent standards, most of whom could (and often do) earn more these days by one-off stints for television

commercial, exceed the take for almost any adequately rehearsed concert.

Now, the inherited repertoire that we love is almost a guaranteed loss-maker in live performance. It needs to be propped up by profitable CD recordings - the very things that threaten live performance, in which performers now perfect their expertise before turning in records for a decent payoff.

As for contemporary music, even modestly "eternal" stuff demands more sharp-eared, acrobatic playing than most of the older repertoire, and the last 40-odd years have found composers expecting - especially with the lavish state support of the 1960s and '70s in mind - whole orchestras to possess powers

reserved heretofore in solo virtuosos.

In present circumstances, it is almost miraculous that the Royal Festival Hall and the Barbican can afford to put on anything at all. And yet they do, of course, without whom London concert-life would be far poorer; and often to well-filled, even packed houses.

Looking back through this year, I seem to have encountered enough really distinguished performances for several seasons: a grand Britwistle retrospective on the South Bank, an extraordinary Mahler Ninth by Benjamin Zander and the Philharmonia at the Barbican, a luminous Bruckner Sixth from Colin Davis and the LSO, Kent Nagano's brilliantly imagined concert-staging of Berlioz's *Damnation of Faust*, Kurt Weill's *Silversea* at the Proms - to mention only a few that have come my way, and not mentioning a lot of splendid smaller recitals at the Wigmore and in the Purcell Room. How on earth do we do it?



The dominant Royal Ballet artists were Irak Mukhamedov, his Albrecht and Romeo without peer; and Doree Bussell, for whom 1996 was a year of radiant achievement

Dance in 1996/Clement Crisp

In search of the way ahead

Dawn Powell (an under-rated writer) noted: "Depressing year, but not as depressing as the thought of a new one". The words strike a chord as I look back over 1996 and wonder about the security of our dear, old and, everyone supposes, indestructible ballet. Ballet is the chief matter I reviewed this year. It has not looked in good health for some time, and little in the past 12 months leads me to believe that it has found - or faintly discerned - a way ahead. (The year, significantly, brought the death of Lincoln Kirstein who made possible the flowering of 20th-century classical ballet when he brought George Balanchine to America.)

1996 was the year when a travesty of *Swan Lake* (Matthew Bourne's male-swam gloss) reached the West End and played in continuing performance for months. It was the year when the Bolshoi Ballet went to Las Vegas and died a box-office death. And as the old balletic order changed, yielding place to nothing new in Russia, disarray is rife. Without its Soviet identity, Russian ballet has yet to find a reason for existence. (I saw the Bolshoi in Graz, and was saddened by the prevalence of harsh bravura in the performances). Both new choreography and new incentives are urgently needed to save the art from seeming as marmoreal and remote as it was in Russia when our century began.

Few are the choreographers today who boast the clarity of means and sense of lineage so essential to ballet's life. Jerome Robbins makes small, perfect things: his Bach cello suite at the Paris Opéra (grandly danced by Manuel Legris and then by Nicolas Le Riche) and his *Bach Two and Three-part Inventions* for New York City Ballet were the best novelties I saw this year. (Robbins' forms neatly matched to Bach's.) I rejoice that young Christopher Wheeldon made a graceful *Souvenir de Florence* for the Royal Ballet's Dance Bites tour, and then created the gentle *Pavane* at Covent Garden, where it was charmingly danced by Doree Bussell and then with equal lustre by the gifted Chloe Davis. (The rest of the Dance Bites

offerings were a vexation to the spirit.)

A significant creation was Michael Corder's three-act *Choderello* for English National Ballet. Corder, whom the Royal Ballet decided it could do without - for inexplicable reasons - showed yet again that he is a fluent, musical maker of classical dance. Unhappy news was Matthew Hart's AIDS-concerned *Dances with Death* at Covent Garden, and unhappy still the fact that he was to join Rambert rather than remain with his home company. Other novelties of the year were Ashley Page's ludicrous duet for Mukhamedov and Viviana Durante at a Lisztian hodge-podge, and his *Two-part Inventions*, over-egged as to score (a Prokofiev piano concerto and a minimalist sound-track) and over-burdened with steps and design. David Bintley's *Far from the Madding Crowd* for his Birmingham Royal Ballet is destined never to be far from the maddened box-office, so well-equipped is it with rustic charm. An awful arrival in Birmingham from Canada was James Kudulka's *Bois de la Jolie*, but Bintley pulled off an ebullient version of Duke Ellington's jazzed-up *Nutcracker* with his *Nutcracker Sweeties*, which his artists danced joyously well. Bintley also encouraged 11 young dancers from his company to make choreography to sections of the Mozart Requiem: a brave move and very welcome. (This creative workshop is repeated this winter: cheers and more cheers.)

At Covent Garden, 80 years of Royal Ballet residence was marked by a gala performance of *Sleeping Beauty*. Some of the dancers from 1946 (a blessed horde) were on stage to see Doree Bussell triumph over a hideous staging, and Dame Ninette de Valois, indomitable, glorious, came on stage in her 98th year. The company paid tribute to Kenneth MacMillan by reviving *Anastasia* in a handsome production (in which Viviana Durante and Sarah Wilder were excellent), bringing back *The Prince of the Pagodas*, and restoring *The Invitation* to the repertoire. Dominant male artist at the Opera House was Irak Mukhamedov, his Albrecht and Romeo without peer. For Doree Bussell, 1996 was also a time of radiant achievement: her

dancing has been an abiding marvel. Adam Cooper in his Opera House repertoire and as Bourne's Swan was powerful, haunting, a rare artist.

Birmingham Royal Ballet gave an alert reading of *Agon* and staged Robbins' *The Cage* in fine style. English National Ballet travelled a great deal, and came to the Coliseum with *Cinderella* and *Alice in Wonderland* (production as substitute for steps), and *Giselle* (a wrong-headed first act, but Act 2 made tremendous by Thomas Eduard Albrecht). Eduard left to join Birmingham Royal Ballet. A Royal Festival Hall season brought a dim "ballet" by Christopher Dean supposedly about the tensions of a

Few are the choreographers today who boast the clarity of means and sense of lineage so essential to ballet's life

skater's life. (The ice was cracked, and so was the choreography.) More sensibly, the company acquired MacMillan's *My Brother, My Sisters*.

Among the heroes of 1996 was Christopher Bruce, who led his Rambert troupe to the Coliseum for a triumphant week. Prices were kept below £30, thanks to Granada sponsorship, and ecstatic houses greeted dancers on peak form. Other heroes were Jonathan Burrows, who made *The Stop Quartet*, his most searching work to date; and Mikhail Baryshnikov. At the Coliseum with his White Oak Project, Baryshnikov was seen - in his 48th year - as a genius of his art. Mark Morris (who made a beautiful study for Baryshnikov) has this same quality as a dancer. His account of *Ten Suggestions* (mastery dressed in pink pyjamas and toying with a hoop) was a thrilling part of his Edinburgh Festival season.

Heroines of the year included Siobhan Davies, who produced two pieces, her choreography having an even keener edge than heretofore in making shapes and touching our senses; and Manuela Carrasco, a flamenco star who was incandescent amid a less than fiery season at Sadler's Wells. The return of Lynn Seymour to the stage in Matthew Bourne's *Swan Lake* won the "Cause for Rejoicing Award of 1996". "Most Welcome Building Work of the Year" was the pulling down of Sadler's Wells Theatre, soon to be replaced by a structure able to house dance without the performers barking their shins on the scenery. Among new dance-works, I was impressed by Kim Brandstrup's *Crime Pleasures* for his Arc Dance troupe, and his *Edison* for Rambert, which both dealt with the uncertainties of truth.

Abroad, I was grateful for almost everything the Paris Opéra staged. At the refurbished Palais Garnier (millions well spent) and the Bastille, the dancers were on superlative form. Apart from a lamentable new *Coppélia*, there were dazzling accounts of ballets by Lilian Robbins, Massine, Petit, Ashton, Paul Taylor, Balanchine. The men, headed by Manuel Legris, Laurent Hilaire, Nicolas Le Riche, Rader Belardi, were astonishing. Among the women stars, Elisabeth Flatef remains a classicist's joy, not least as the ballerina in *Rhapsody*, and Elisabeth Maurin and the young Aurélie Dupont were delights. Jose Martinez made a tremendous impression in *Rhapsody*, and was also a notable Miller in *Le Tricorne* in Nice.

The Nice Ballet, characteristically, staged an imaginative Picasso programme, with *Trienne* and *Parade* joined by a version of the *Cuadro Flamenco*. Picasso's witty set framing a vivid performance by the Cristina Hoyos troupe. The Paris Opéra Ballet School revived Lilian's *Le Chevalier et la Damselle* very well; in Nancy, Pierre Lacotte presented a restoration of *L'Ombre*, one of the treasures of the Romantic age, with Montique Loudières and Andrey Fedotov. In Amsterdam, the Dutch National Ballet staged an admirable Balanchine festival, mounting nine of his ballets - they have another 18 in stock - and in Toulouse the Capi-

tole Ballet made a convincing showing in Balanchine's *Liebesleid*, *erwäuter*, which is bliss in three-four time.

Among national events I salute Scottish Ballet's revival of *La Sylphide*, made yet more memorable by the presence of two Danish stars: Johan Kobborg as a bounding James, and Sorella Engund as Madge, a performance of malign wit - it is one of the great interpretations of the year (and, I venture, of the decade). Northern Ballet Theatre revised its *Don Quixote* - older than ever but enjoyed by its public - and staged *Dracula*, which was chilling in effects, if bloodless (no surprise?) in dance. I was moved by the year's simplest staging. Wolfgang Stange does wonderful work with disabled performers in his Amici group. In a tribute to the Austrian dancer-pedagogue Hilde Holger, he made dance-theatre small in scale, vast in imagination.

The year's disappointments included the Martha Graham troupe at the Edinburgh Festival - dances haunted by ghosts more potent than the dancers. Turkeys of the year were Michael Flatley's *Lord of the Dance*, which looked like a Nuremberg rally staged in Blarney; the Netherlands Dans Theater's British repertoire brought to Edinburgh; the Grands Ballets Canadiens' provincial offerings at Sadler's Wells; Antonio Gades' Carmen, an oddly geriatric affair; Azne Teresa de Keersmaeker's mugging of Mozart at the Festival Hall, made all the more obnoxious by superb playing from the Anzima Eterna ensemble. Stinker of the Year was the Joffrey Ballet's Billboards at the Festival Hall - bad drainage as choreography. BBC TV should hand back our licence money for also showing this nasty little item (and two flatulent pieces by Ulysses Dove).

The year's heresavevements included two great dancers: Tamara Toumanova, the spirit of Ballets Russes glamour, and Paula Hilton Gore, a dramatic ballerina both subtle and passionate.

Thus 1996, I am all too frequently reminded of Max Wall's comment about his own dancing as the years closed in on him. "What you're seeing now is a remnant!"

Pop Records in 1996 Back to the future

It has been a year rich in discoveries in the pop world, but not always of a positive kind. Oasis fans found that their much-hyped heroes were capable of the sublime - thrilling performances at Knebworth and Loch Lomond - and the mediocre - a Liam-less line-up playing a polished but uninspired *Unplugged* set at the Royal Festival Hall just a few days later.

Beatles fans finally discovered, with the release of *Anthology II and III*, that there were no lost masterpieces left in the can after all, just some admittedly high-class doodling in the studio. And the previously all-conquering R.E.M. found that superstardom can be a pretty fickle business, when their generally excellent *New Adventures in Hi-Fi* album sold disappointingly.

In the absence of a new Oasis album, and with the world's eyes, courtesy of Newsweek's "London is Cool" spread, firmly set on Albion's swingers, Britpop's other contenders had a chance to strut their stuff. And very pleasant it was too; this is something of a golden age for snappy, three-minute melodies with a hook you can whistle on your way to the ravs.

Dodgy (*Free Peace Sweet*) and The Beautiful South (*Blue is the Colour*) made respectable contributions to the genre, but Ian Broudie and his Lightning Seeds had the most cause to celebrate 1996, not only for the timely and exuberant *Dizzy Heights*, but also the extraordinary success of England's Euro 96 anthem "Football's Coming Home", written by Broudie, whose face as he sat among the guests in Wembley's Royal Box was the picture of blissful contentment. A song of its time.

Ocean Colour Scene's *Moseley Shoals* was full of good tunes too, and featured some tasty playing; at best, the band captured that loose, raunchy feel of middle-period Stones, while their single "The Riverboat Song" showed off their more aggressive side to telling effect.

The Manic Street Preachers achieved the remarkable feat of causing their home town of Newport, Wales to be described as the "new Seattle". *Everything Must Go* was a powerful work, raw, anthemic and tinged with a melancholy air, which made a pleasing contrast to their unremarkably jolly competitors, although I found it a little portentous.

Kula Shaker effortlessly won the silliest 1996s pastiche award with *K*, a remarkable act of homage to eastern mysticism, heavy bass playing and lyrical non-sequiturs: yet the group is rather winning in its sheer naivety; who else would dare open an album with a song called "Hey Dude"? Or write a tribute to Jerry Garcia? Maybe they are just teasing us after all.

The title of George Michael's long-awaited post-courtroom wrangle album, *Older*, declared its intentions with refreshing clarity: lyrically, this was his most mature and courageously personal work, but the slickness of the music was a little predictable, particularly on the up-tempo numbers. Other notable comebacks came from Neneh Cherry (*Man*) and Patti Smith (*Gone*)

Again; even Prince, with the triple *Emancipation*, showed signs of a return to form, but I cannot help wondering, after all those years of childish posturing, if anyone cares anymore.

R.E.M., having signed the mega-deal of the year with Warner Bros, rewarded their new label with *New Adventures in Hi-Fi*, a dense and characteristically moody work which certainly deserved to do better in the charts - what price a return to the heavier, rock-oriented sound of *Monster* for their next move? Beck's *Odegy* was the most intriguing American export of the year, with its bewildering blend of rap and balladry, sampling and peppy steel guitar, folk tunes and grungy arrangements. One to look out for in the future.

It has been a bad year for the giants of the 1960s, who received so many name-checks from worshipful bands in 1996 that they might have been fooled into thinking that time had stood still. It hasn't. The Beatles *Anthology* albums were fascinating to hard-core fans, but revealed few new gems. My personal favourite moment was a remarkable early version of John Lennon's "Tomorrow Never Knows" on *Anthology II*, which sounds about 25 years ahead of its time.

The same cannot be said of The Rolling Stones' *Rock and Roll Circus*, from 1968, sold as the moment when "it seemed that rock and roll would inherit the earth", although the subsequent video better captured the meandering of the young Mick Jagger and the very beautiful Marianne Faithfull. The remaining members of The Who made a brave attempt to capture the spirit of their heyday with a live performance of *Quadrophenia* in Hyde Park, but the elements, and a general air of Euro 96 anti-climax, were against them.

Once again, the category known as world (ie non- Anglo-Saxon) music provided some of the most original and curious moments of the year. Nitin Sawhney's *Displacing the Priest* mixed Asian spirituality with jazz funk; the Afro-Celt Sound System's *Volume One Sound Magic* sounded exactly as you would think, and made a surprisingly smooth marriage.

Finally, to a category of album which has in the past been rightly derided as uninteresting and exploitative: the movie soundtrack. This year there were two essential *old-memoires* to two very fine movies: *Dead Man Walking* featured songs by Bruce Springsteen, Johnny Cash, Suzanne Vega and others which had been inspired by Tim Robbins' film, as well as the actual soundtrack which twinned Nusrat Fateh Ali Khan with Eddie Vedder to marvellous effect.

Then there was *Trainspotting*; can we ever again listen to Iggy Pop's *Lust for Life* without thinking of the thrilling, adrenalin-charged opening of Danny Boyle's brilliantly realised film? A perfect blend of sound and image, at once life-enhancing and terrifying. There were worse ways to remember 1996.

Peter Aspden

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERT
Zoncertgebouw Tel: 11-20-8718345
 ● Tokyo Chamber Soloists: with violinist Yoko Kubo, cellist Ko Aekai and pianist Shukui Iwasaki perform works by Schumann, Beethoven, Kodaly and Schubert; 1.15pm; Jan 2
 ● De Nieuwe Kerk Tel: 31-20-6268168
 ● Gustav Leonhardt, Bernard Winsemius and Nico van der Meel: the organ-players and tenor perform works by Holtenanders, Huggens and J.S. Bach; 3pm; Jan 1

DANCE
Het Muziektheater Tel: 31-20-5516117
 ● Nutcracker and Mouskating: a special New Year's day matinee performance by the Dutch National Ballet of this choreography by Toer van Schayk and Wayne Eagling to music by Tchaikovsky. With special guest soloists Yelena Panikova and Carlos Acosta; 2pm; Jan 1

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
 ● Jan Steen, Painter and Storyteller: major retrospective exhibition focusing on the work of Jan Steen (1678-1760). The exhibition, previously shown at the National Gallery of Art in Washington, features nearly 50 paintings from international public and private collections and examines the range of subjects and styles in this Dutch artist's body of work; to Jan 12

BATH
Victoria Art Gallery Tel: 14-1225-477000
 ● Picasso: Histoire Naturelle: touring exhibition presenting a set of 31 prints by Picasso from the collection of the Hayward Gallery, in them, the artist depicts animals, birds, insects and other creatures. Begun in 1936 for the picture dealer and publisher Ambroise Vollard, Picasso created these images to accompany the classic 18th-century text "Histoire Naturelle" by the French naturalist George-Louis Leclerc de Buffon. The works combine a wide variety of techniques, including lift-ground aquatint, etching and drypoint; to Jan 4

BERLIN
Concerthaus Tel: 49-30-203090
 ● Berliner Sinfonie-Orchester, with conductor Michael Schneider and violinist Joana Kamenarska perform works by Berlioz, Bizet, Bartok, Sverndsen and others; 7pm; Dec 31

BRUNNEN
Orchester with conductor Claudio Abbado, baritone Bryn Terfel and the Swedish Radio Choir perform works by Brahms and Schubert; 8pm; Dec 30, 31
 ● Rundfunk-Sinfonieorchester Berlin: with conductor Jeffrey Tate, soprano Hillevi Martinpelto, alto Jagmar Peckova, tenor Stefan Vargita, bass Franz Hawlata and the Rundfunkchor Berlin perform Beethoven's Symphony No.9 in D minor, Op.125; 8pm; Dec 30, 31
 ● Philharmonie & Kammermusiksaal Tel: 9-30-2614383
 ● Berliner Philharmonisches Orchester: with conductor Claudio Abbado, baritone Bryn Terfel and the Swedish Radio Choir perform works by Brahms and Schubert; 8pm; Dec 30, 31

COLOGNE
Opernhaus Tel: 49-221-2218240
 ● Der Nussknacker und der Mausekönig: a choreography by Jochen Ulrich to music by Tchaikovsky, performed by the Tanz-Forum Köln; 4pm; Jan 1, 4 (7.30pm)

DUBLIN
National Concert Hall Tel: 353-1-6711888
 ● National Symphony Orchestra of Ireland: with conductor Albert Rosen, soprano Mary Callan Clarke and tenor Dennis O'Neill perform works by Mozart, Puccini, Bizet and others; 3.30pm; Jan 1

EDINBURGH
Edinburgh Festival Tel: 1-212-570-3600
 ● The Queen's Hall Tel: 44-131-6683456
 ● Carol Kidd with Suzanne Bonnar & Fiona Duncan: performance by the three Scottish jazz singers; 7.30pm; Dec 31

FRANKFURT
Richard Wagner Theater Tel: 1-212-367-4100
 ● Chicago: by Kander and Ebb. Directed by Walter Bobbie. The cast includes Bebe Neuwirth, Joel Grey, Marcia Lewis and James Naughton; Tue - Sat 8pm, Sun 3pm, Wed, Sat also 2pm; to Feb 9 (Not Mon)

HANOVER
Opernhaus Tel: 49-511-1686161
 ● Macbeth: by Verdi. Conducted by Hans Urbanek, performed by the Hanover Staatsoper (premiere). Soloists include Andreas Förster, Andreas Mocco and Karen Bureau; 7.30pm; Dec 30

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 ● Hong Kong Philharmonic Orchestra: New Year's Eve concert, with conductor Samuel Wong, harpist Yolanda Kondonassis and flautist Andrew Nicholson. The programme includes works by Rossini, Mozart, Saint-Saëns and J. Strauss; 8pm; Dec 31

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Barbican Hall Tel: 44-171-6384141
 ● London Symphony Orchestra: with conductor John Georgiadis perform works by Zieheer, Johann Strauss, E. Strauss and Josef Strauss; 7.30pm; Dec 31; Jan 1, 2 Wigmore Hall Tel: 44-171-9323141
 ● The King's Consort: with conductor/organ-player/harpicordist Robert King, sopranos Deborah York and Tessa Bonner, countertenors James Bowman and Robin Blaze, tenors Charles Daniels and Mark Milhofer, and basses Peter Harvey and Charles Pott perform works by J.S. Bach, Krebs, Kuhnau and Schella; 7.30pm; Dec 31

ROME
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
 ● Orchestra dell'Accademia di Santa Cecilia: with conductor Yuri Temirkanov and violinist Vladimir Spivakov perform works by Tchaikovsky; 7pm; Jan 4, 5 (5.30pm), 6 (9pm), 7 (7.30pm)

STOCKHOLM
Operan Tel: 46-8-6684250
 ● The Nutcracker: a choreography by Ronald Hynd after Marius Petipa to music by Tchaikovsky, performed by the Ballet de Nice. Soloists include Elena Kniazkova and Igor Yebra; 8pm; Dec 31; Jan 4, 5 (4pm)

WASHINGTON
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 ● Adolph Menzel (1815-1905): Between Romanticism and Impressionism: this retrospective exhibition comprises about 130 paintings, drawings, pastels and watercolours by Adolph Menzel, one of the leading German artists in the second half of the 19th century. Most of the works are from the Staatliche Museen zu Berlin, Preussischer Kulturbesitz. The works on display span a wide range of contemporary and historical subject matter. In addition to many of Menzel's acknowledged masterpieces, among them "Frederick the Great's Flute Concert at Sanssouci" (1850-1852), "An Afternoon in the Tuilleries Garden" (1857), and "King Wilhelm's Departure to the Army on July 31 1870" (1871), the exhibition also includes sketches and drawings depicting bourgeois life in Berlin; to Jan 5

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 ● Die Fledermaus: by J. Strauss. Conducted by György Gyorvanyfalvi, performed by the Orchestra, Coro e Corpo di Ballo dell'Arena di Verona. Soloists include Armando Ariostini, Luciano Sena, Roberto Accursi, Tibor Szolnoky and Gennaro Battagnoli; 8.30pm; Dec 31; Jan 2, 3, 4, 5 (3.30pm)

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Yuri Temirkanov conducts in Rome

Clemens Bleber; 7pm; Jan 1

BIRMINGHAM, US
CONCERT
Symphony Hall Tel: 44-121-2020000
 ● Glenn Miller Orchestra: with conductor John Watson and special guests Tony Mansell, Jan Messeder, The Moonlight Serenades and the Uptown Hall Gang perform Glenn Miller favourites in their original arrangements. Including Chattanooga Choo Choo, Pennsylvania 6-8000, St. Louis Blues March, Moonlight Serenade, In the Mood, and other works; 7.30pm; Dec 30

BOSTON
EXHIBITION
Museum of Fine Arts Tel: 1-617-287-9300
 ● Alfred Steiglitz and Early Modern Photography: an exhibition of 112 photographs and photograms, plus copies of Steiglitz's magazine "Camera Work", letters in his hand and paintings by artists he exhibited during his lifetime. Including Ansel Adams, James Craig Annan, Alvin Langdon Coburn, Frederick H. Evans, Paul Hurty Hevliand, Gertrude Käsebier, Heinrich Kühn, Eliot Porter, George H. Seeley, Edward Steichen, Paul Strand, Karl Struss and Clarence H. White; to Dec 29

BRUSSELS
Palais des Beaux-Arts Tel: 32-2-5078466
 ● Karl Blossfeldt: exhibition of works by the German photographer Karl Blossfeldt (1865-1932), who is specially known for his detailed black-and-white photographs of flowers and plants. The display features about 200 original photographs; to Jan 5

COLOGNE
Opernhaus Tel: 49-221-2218240
 ● Der Nussknacker und der Mausekönig: a choreography by Jochen Ulrich to music by Tchaikovsky, performed by the Tanz-Forum Köln; 4pm; Jan 1, 4 (7.30pm)

DUBLIN
National Concert Hall Tel: 353-1-6711888
 ● National Symphony Orchestra of Ireland: with conductor Albert Rosen, soprano Mary Callan Clarke and tenor Dennis O'Neill perform works by Mozart, Puccini, Bizet and others; 3.30pm; Jan 1

EDINBURGH
Edinburgh Festival Tel: 1-212-570-3600
 ● The Queen's Hall Tel: 44-131-6683456
 ● Carol Kidd with Suzanne Bonnar & Fiona Duncan: performance by the three Scottish jazz singers; 7.30pm; Dec 31

FRANKFURT
Richard Wagner Theater Tel: 1-212-367-4100
 ● Chicago: by Kander and Ebb. Directed by Walter Bobbie. The cast includes Bebe Neuwirth, Joel Grey, Marcia Lewis and James Naughton; Tue - Sat 8pm, Sun 3pm, Wed, Sat also 2pm; to Feb 9 (Not Mon)

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James Morgan

The myth of the European fattened cow

How a population was left to flounder while the leaders chased monetary union

The revolutions in eastern Europe have added to the sense that the 1990s can be the decade of Europe. It is always nice to find long-forgotten forecasts lying at the bottom of an inbox.

The first edition of World Financial Markets in 1990 from J.P. Morgan makes for interesting reading today. Not because of the cheap laughs gained by hindsight (although these are always welcome), but because we can see how seven expected fat years became seven lean.

The analysis, wisely, was not wholly confident in its assertion, for the title, "The decade of Europe" needed the question mark. But the optimism of seven

years ago made the question seem quite reasonable. An economic recovery was under way, unemployment was falling. The only trouble was that Germany might be growing too strongly. But "the business community has gained confidence in the policy environment".

The policy environment in the European Union soon ceased to inspire much confidence. It became dominated by the drive to monetary union which was largely, but not wholly, irrelevant to solving western Europe's underlying problems. These became more obvious as the decade wore on.

In 1990 it was believed that an economic recovery could do the trick. But recovery achieved

nothing because the opportunity to reform national finances was missed. That meant the clean-up had to be left to the last minute and became inextricably part of the Maastricht process. The peoples of Europe were therefore left believing that fiscal austerity was the consequence of an obscure agreement reached in a small Dutch town in 1991.

And so this is not the decade of Europe. And here is a question which shows why. Which nation's newspaper wrote this? "Although there is far-reaching agreement in economic and political circles on the matter, a large proportion of the population is against the introduction of a single European currency. While among top decision-

makers, politicians, special interest groups, high officials, economic and media representatives, 78 per cent are in favour, among the population as a whole 46 per cent are against and 41 in favour."

As it happens, that came from Die Presse in Vienna. But the statement could have appeared in half-a-dozen nations' dailies. Those in charge have made a mess of explaining why monetary union is a good thing.

The Bundesbank has published an unconvincing little pamphlet called "Who, When, What, How, Why". In answering the last question it says the euro is needed to make the single market work. It concludes: "A failure of Emu would throw Europe

back both politically and economically."

And that is about it. European Monetary Union has to succeed because the price of failure has become too great. It matters more than unemployment, more than economic inflexibility because decision-makers and top people have spent the 1990s thinking about nothing else. They rightly tackled fiscal incoherence, albeit belatedly, but overlooked the problems of the real economy.

The virtues ascribed to Europe in 1990 turned out to be those enjoyed in depth by East Asia. But in 1990 nobody talked about the decade of Asia. It was believed that central Europe would become a tiger economy,

fed by its intellectual endowment and vast inflows of capital. The rest of the world expected to be forgotten as the western nations prepared a giant fattened calf for their prodigal sons. Instead the consequences of German reunification in particular helped undermine the rosy European scenario foreseen in 1990.

The J.P. Morgan circular turned up as part of a clear-out inspired by my temporary departure from my usual job, and from this space, in the new year. I should be back again, God and editors willing, in April.

James Morgan is BBC World Service economics correspondent.

Peter Aspden Ode to a joyous match



Now here is a seasonal party game for you all: go round the room and ask everyone what was the single most inspiring moment of the year; the instant when it really did feel like humanity was capable of shedding its meanness and joining the gods up on the mountains; when being alive meant more than opening bills and emptying the dishwasher.

Least things get too intimate, you have to disqualify moments which are highly personal. It would have to be a shared experience, an accessible pleasure. Many will choose a work of art: the quiet dignity of a monastery painting observed in the Tuscan countryside; the visceral thrill of an operatic diva fearlessly reaching for an obstinate note.

Not for the first time, I find myself rummaging in a different field for my things of transcendence. The sports field, to be precise. For this was the year that made me believe that sport, rather than art, is actually the most noble, the most dignified, the most precious of human recreations.

I have spent large parts of the year watching the greatest actors, singers, dancers in the world perform with searing commitment and soaring technique. Plays which have brought tears to eyes; evenings of music that wiped out the grim banalities of a joyless day and sent me home on a billow of good humour.

But, absurdly, I find myself thinking of a young man kicking a football and another man diving gratefully to frustrate him.

So I turn to sport: to instincts which we would rather did not exist

Their names - Gareth Southgate and Andreas Köpke - barely matter. Both have become popular heroes in their own land, one for confronting adversity and the other for sealing triumph. I recall the extraordinary scenes of a summer night at Wembley and say, nothing can match this.

Let me start with the obvious point: the overwhelming advantage of a sports event is that no one knows how it will finish, which is not the case with most artistic events. Indeed, the great works in the canon are so familiar that they are robbed of their freshness and tension. We end up watching Hamlet and admiring a particularly vivacious Ophelia, an uncommonly amusing Polonius, and caring not a hoot about the young Damsel's warblings.

I have seen Hamlet, and The Marriage of Figaro, and a few other works of genius (for that is what they are) maybe a dozen times each; but, contrary to popular belief, I am not astounded by startling fresh perspectives each time I see them. I think I have got the point by now. The "Mona Lisa's" smile is not that enigmatic. Is there not something a little deadening, morbid even, in our ritual enslavement to these great works?

We can, of course, choose the shock of the new. But so much of today's art is still paying off its debt to its antecedents - whether by imitation, opposition or parody - that the possibility of being genuinely moved by any of it seems quaintly old-fashioned.

So I turn to sport: to its peerless sense of theatre; its robust appeal to tribal instincts which we would rather did not exist, but must find peaceful expression somewhere; its graceful vigour (like dancing, but someone is always trying to stop you); its dramas unravelling before you all over the field, small tales of courage, hope and downfall.

And then the real beauty of it all: that none of it actually matters. It is not, as some have said, a perfect metaphor for life (some good bits, some bad bits, just hope to stay fit and take each match/day as it comes). Life is more complicated than that, and art caters fulsomely for our need to reflect on the human condition. But that does not make it any nobler. Goodness knows what Nazi officers reflected upon as they listened to Schubert, but I can hazard a guess.

Sport pretends to be no more than it is. A ritualisation of struggle, a celebration of strife. A missed penalty, tears, cheers, handshakes and hugs. A manager holding a player's cheeks in his hands and telling him to hold his head up to 80,000 enraptured spectators. That was my moment of the year. Someone will probably write something very good about it one day, but it won't be the same as being there.

Private View Historian who looks into the future

Christian Tyler met Jonathan Spence, a world expert on Chinese culture

You wouldn't ask a historian of the Tudors to comment on the problems of today's royal family. But, if your interest was modern China, you would not hesitate to consult Jonathan Spence, an expert on the Qing dynasty (1644-1911).

Spence gets asked about modern China a great deal. At a time when Hong Kong is about to be returned to its owners after 155 years, when the mainland is in the throes of a turbulent transition, and when the US cannot decide on its policy, his long-range perspective is especially valued.

A lanky Englishman with a short grey beard, Spence is not only a world authority on his subject; he has been described as one of the best writers of history alive. He comes from the same innovative Cambridge school that produced Simon Schama, David Cannadine and others. Like them, he went to teach in the US. He has been at Yale, where he is Sterling professor of history, for nearly 30 years.

"I travel a lot and I talk a lot," he said during a recent visit to his family in London. "I often point out that I'm interested in history, so why should I be asked about the future? With China, perhaps, it's a lack of knowledge, the strangeness of the names and language. But it says something about the global feeling of China's oddness and size."

And about our readiness to follow the Chinese way of thinking of themselves?

"Yes, exactly. So I sometimes try and talk myself out of a job. I say: 'Look, my research is in the 17th and 18th century.' Having denied the relevance, Spence immediately went on to cite things that could be useful to current analysis, such as China's early problems with population, the environment and trade with the West. "One can look at the deeper structures, as some historians like to call them."

Few students of, say, modern France would examine the 14th

century for clues. "Yet we don't feel a sense of absurdity in saying the founding of the Ming Dynasty in China, in 1368, has some real resonance with the founding of the People's Republic in 1949. You can see that the 1938 emperor and the 1949 communist leader faced quite similar problems in re-unifying the whole colossal civilian apparatus."

People like Prof Spence are usually called Sinologists. He does not like the term because to him it implies an interest in classical culture and language only, whereas he uses them to help him "look at the present and the past together".

The Chinese are fond of relating their present to some semi-mythic past. Spence said history was being invoked strenuously at the moment in order to reinforce an aggressive nationalism and to soothe uneasiness about how the imperial style of the late Chairman Mao should be interpreted. At the same time, archaeology was dispelling some of the treasured historical myths.

I asked him what advice he would give the newly re-elected President Clinton.

"At the moment there is no US policy. It seems to me. Some people think that's not a bad thing. Most definitive policies have been rather unsuccessful, and maybe the best stance is a kind of wary co-operation. The hectoring about moral values keeps backing, I think."

Spence sympathises with human rights activists, but thinks State Department pressure on behalf of individual dissidents can be counter-productive. The fact that we now know the dissidents' names was a sign that China was "much more in the world" than even 15 years ago.

Should we be afraid of China?

"Well, the word I used was 'wary'. And I think we should be extremely wary. It's a great potential source of money for the West and a highly complex source of very cheap consumer imports, as the Americans are discovering. There might be a



Jonathan Spence: history is being invoked strenuously at the moment to reinforce an aggressive nationalism

military threat over territorial waters, but I think the land frontiers are fairly stable. Tibet was a possible flashpoint, the north-west province of Xinjiang a less likely one because of the large military presence there.

Are we witnessing the fall of a dynasty or just a change of emperor?

"I don't think we're seeing a change of dynasty, really, but an array of problems which we've seen before when strong central leadership becomes weak and at the same time authoritarian." He cited the violent punishments, random executions of criminals, gang warfare, resurgence of secret societies, prostitution, corruption and peasant tax protests.

One of his latest books, *God's Chinese Son*, is a reconstruction of the Taiping rebellion of the 1850s and '60s in which 20m people died. This autumn two large peasant revolts against levies

were reported from southern Jiangxi province and Qidong county in Hunan province. Could there be another uprising?

"It would be difficult with a very mobile military, aircraft and helicopters."

"The key things that have changed compared with the 1940s are: no aggressive presence of Japan and the rapid movement of money and electronic information. It surely won't be very long before Chinese businessmen inland can put their money into the London Stock Exchange or Wall Street."

Spence's career was "supremely accidental." Trained in modern languages and European history, he won an exchange fellowship to Yale from Clare College, Cambridge. He picked China because it was new to him and Yale is one of the best places in the world to study it. "I plunged in, never thinking I

would go on with it. I had terrific teachers. After working in translation for a bit, some of them suggested I start learning Chinese at the basic level. So I began to do that - and I was really hooked."

"I was struck by the fact that China's cultural links to the past are much sharper than modern Italy to the Roman Empire or modern Greece to ancient Greek civilisation. It does have the link that its cultural nationalists claim. I mean, you can read Confucius. You really can."

His wife also reads Confucius; indeed, she lectures on his work at Yale, like her husband. Anning Chin is a specialist in the Chinese philosophers of the 5th and 4th centuries BC, relating them to their near contemporaries Plato and the Buddha. She is co-author of Spence's latest book, *The Chinese Century*, a startling photographic history

of the last 100 years. It is a book that one knows well. You say: "How can there be violence like this?" Then you read about some nightmarish murder case in England or Belgium or whatever. Every country has its nightmares."

If you had lived in China for long would you have fallen out of love with it?

"It's quite possible. I've thought about that quite a lot. But my intellectual fascination with China is unmitigated. I think it's an absolutely extraordinary culture and that hasn't ever left me. The study of China has never been so fruitful, and there are so many good people in the field."

Spence is now going back to the 18th century "with a kind of sigh of relief."

Will it be cosier back there?

"It was also a violent age, though the classical language is perhaps more beautiful. 'Cosy' is rather an interesting word. I suppose retreating to the past is sometimes cosy."

Or at least hygienically distanced, without the pressures of the present?

"The strange thing is I'll probably still be asked just the same sorts of questions about the future."

containing pictures not seen before in the West. Anping was born in Taiwan to a family from mainland Manchuria (her first name is the classical name of the city of Tainan), but has lived most of her life in the US. Like most of the diaspora, her husband said, she still feels very Chinese.

Spence describes his own relations with official China as "friendly to neutral".

"Do they expect you to behave like an 'old friend', as they call it?"

"Some scholars play that role, and seem to enjoy it. I don't claim to be a special friend of China. I mean, I love Chinese culture and if they want to look at my books that's fine with me." He is not the kind of academic who goes to international conferences.

Parts of his work have been judged hostile, and banned. "I don't go into the pulpit against China. One's always told there is a black list, but as far as I know it is used for Chinese who criticise China, in Chinese, from outside. Those are the people who get denied visas or imprisoned when they get there."

"On the whole I think westerners are not very important to the Chinese superstructure. That would be their way of keeping the west in perspective."

I asked him if his own love affair with China was stable or volatile.

"Well, I suppose you could say it is volatile. One gets sort of tugged, overwhelmed by the economic problems and the violence and trying to balance that against the cultural sophistication, subtlety and extraordinary richness, the amazing generosity of individual people and the strength of families."

"There is something truly wonderful about individual Chinese that one knows well. You say: 'How can there be violence like this?' Then you read about some nightmarish murder case in England or Belgium or whatever. Every country has its nightmares."

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whereas Britain has never liked the old. But already they are politically mobilised in the States; 37m in the Association of Retired People. Clinton needs their vote."

It was a snappy lunch. She had her class at two. As someone who now gets cloudy and morose whenever his birthday comes round, I had to ask this dynamic girl a final question: didn't anything about ageing ever get her down?

"I asked the same question of Miriam Rothschild. She's 88. Know what she said? 'I'd give anything for a new rectum.' And that was it. Otherwise she's wiser than ever. So what is there to feel a victim about?"

As she said this, she stood up and did a quick spin in her razz skirt, and I whistled. No doubt about it, Age Power is on its way to a church hall or community centre near you.

Truth of the Matter Mature whirlwind packed with attitude

Nigel Spivey enjoyed lunch with Bernice Weston, Brooklyn-born creator of Age Power, the over-fifties lobby

Age Concern? Snage Concern," she said. "Don't misunderstand me: the charities do great work, and I'm full of regard for it. But look at the image they make of us: indigent and always the victims. The hell we are. We control 50 per cent of disposable wealth in this country. That's £180bn. And what gets marketed to us? Nothing but incontinence pads, hearing aids and zimmer frames. Oh yeah, and Saga holidays - Send A Granny Away; or, Sexual Advances Gratefully Accepted. Bah!"

Brooklyn-born Bernice Weston is holding forth about the treatment of the over-fifties. The 67-year-old founder of Weight Watchers now carries the banner of Age Power, an organisation launched to mobilise the senior citizens of Britain. Sorry: neither "senior" nor "elderly" are in the Weston vocabulary. Ripeness is

all, hence "mature", or "vintage", are preferred.

She twirled up to our appointment on Hampstead high street in a fluffy, flounced, skirt and high heels. "The *dansant apris* lunch?" I asked. "No, my sweet-class, at North London Polytechnic. Today we have a seminar on mind-mapping and the age heresy. Know what mind-mapping is?"

"I can guess."

"OK. Know what the age heresy is?"

"You could briefly expound on it."

"It's that crap about losing brain cells as you get older. You don't. The third age is not a second childhood. You accumulate experience. You just need to map out the various compartments in your mind to put it all in order. The other week I had Anton Mismann come teach us, especially the guys, how to cook. Next

week we'll study good health-keeping."

We took our table at the Cafe des Arts. Bernice ordered salad for her main course. "I'm a cheap date, huh? But let me just taste a glass of wine. Hmm, good. Did you know that Australia's best red wine, Penfold's Grange, was made by a man of 81? Experience, see. There are some smart people out there. I interviewed a guy of 101 for my book that's out next year, and asked him what was the secret of his good health and longevity. He said he couldn't give the answer because he was still negotiating with two breakfast cereal companies about it. Isn't that marvellous that empowerment, that sense of control, at 101?"

The imminent book is called "How To Die Young As Late As Possible". I asked how we were going to cope with all these

mature cheeres retired from work but rising to pull their weight.

"There are going to be problems. Big problems. None of us expected to live so long. Most of us haven't put away enough. We didn't count on so many rainy days. I seriously think that if we don't act now to get it right, there will be inter-generational conflict in the next century."

So how do we avoid that?

"Simple. Use us. We have dreams as well as memories. Age Power says we have a future. We've made it and we can carry on making it. We'll study again. Start new businesses, new careers. We'll harness computers and we'll read books to children. We shall not be rubbishised. Was it Ingmar Bergman who made every film as if it was his last? That's cute, but it's not how I want to go on in life. I like those words of Bernard Shaw 'life is

not a brief candle to me, but a sort of splendid torch".

She leaned over and took a fork full of my lamb. It was hard to believe she once weighed 14 stone before the launch of her slimming phenomenon. Age Power is now building up, throughout the country, the same system of local support groups as Weight Watchers.

"And we must get this pension business sorted out," continued Weston. "Britain has cheated its citizens, forcing them into inadequate personal pensions. I don't trust those bastards in the City. The Englishman's word is his bond? Who are they kidding?"

Among the things she has put away for rainy days is a golden Rolls-Royce, garaged in Jerusalem. I put it to her that Judaism fostered more respect for elders.

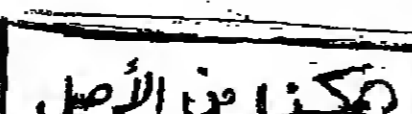
"Sure. The vintage have an aura amongst Jews. And in Italy, and Spain, and Middle Europe.

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WEEKEND INVESTOR

Bids/Deals

Steelmakers battle it out

As a heavy month for takeovers draws to a close, the most acrimonious battle is over Triplex. Lloyd's 500p-a-share bid for William Cook, which values the Sheffield steel castings group at £87.8m, writes Paul Adams.

Cook has accused Triplex, another Midlands foundry group, of undermining its forecast that pre-tax profits would jump 26 per cent this year to £10.7m (£8.6m).

Natwest Markets and KPMG, William Cook's advisers and accountants,

have defended the forecast as sound.

William Cook says Triplex is trying to distract shareholders with spurious claims out of desperation to press home its bid. But Triplex says its cash and share offer exceeds the value of the company.

□ Newman Tonks, the architectural hardware supplier facing a £197.5m hostile bid from FKI, stands to gain £12m from the sale of its minority stake in Tesa, the Spanish security card maker, to

Williams Holdings, the security and fire products specialist.

FKI, the acquisitive electrical engineering group, is making a paper offer worth 150p a share, with a 140p cash alternative, and at least two big institutions have accepted.

□ Clyde Petroleum, the UK oil independent, has accused Gulf Canada, an international group, of trying to grab the company on the cheap with its £432m hostile bid.

Clyde's management says

it should be valued as a multiple of cash flow not of net assets as Gulf had done and accused Gulf of using selective statistics to justify its 105p per share offer.

□ Two bidders are pursuing Lloyd's Chemist. Gebe of Germany has announced that it has acceptance from 0.16 per cent of shareholders for its cash offer of 500p a share.

There is a paper offer from UK rival, UniChem. Both have until January 17 to improve their offers.

In the Pink

Back to boom and bust - with Blair

That is the prospect Brian Reading sees under a Labour government as it comes to grips with Emu

No more than five months from now we shall know who has won the UK general election. In 12 months, we shall know if Britain has decided to opt out of European monetary union (Emu) when it starts in 1999.

A Labour victory in the election looks virtually certain. Most Labour MPs will want to enter Emu. So will many Conservatives and all Liberal Democrats. There will be a hefty House of Commons majority in favour. But will Labour leader Tony Blair take the plunge? Probably not.

First, there must be an act of parliament, which would occupy much of Labour's first parliamentary session. Then there must be a referendum. So Blair will probably opt out of membership in 1999 and hope to join later - probably in 2002, when the euro is scheduled to replace national currencies. This would allow him time to persuade reluctant voters to say "yes" in the referendum.

They will not be asked to vote on the alternative: staying out of Emu and, ultimately, being forced out of the single market and the EU. But they will be told this is the alternative and many will be persuaded - wrongly, I believe - that it would be the worse of two evils. So, there is a good chance a referendum will favour entry.

This, however, poses a big question: what will happen to sterling in the meantime? It might have to be repegged to the D-mark in the European exchange rate mechanism (ERM), as in 1990-92, or it could again shadow the mark infor-

mally, as in 1987-88. Both were salutary experiences. Britain's economic cycle is out of step with continental Europe's. When Nigel Lawson, as chancellor, pegged the pound unofficially to the D-mark, the UK was booming. Real GDP grew by 4.8 per cent in 1987 and 5 per cent in 1988. The German economy was stagnant in 1987, growing by only 1.5 per cent. So the Bundesbank pursued an easy money policy.

The pound was pegged at an under-valued rate. So it might seem that, if Britain

same happen again? Britain's economy is set to boom in 1997, with up to 4 per cent GDP growth. Germany will be lucky to achieve 2.5 per cent growth, and will do so only if the D-mark remains weak and real long-term interest rates fall.

Fiscal policy throughout the Continent is being tightened to meet the budget criteria laid down in the Maastricht treaty. Unless offset by monetary ease, though, continued recession will put this beyond reach. So it might seem that, if Britain

Both experiences were highly destabilising because of the conflict between domestic and external policy requirements. Will the same happen again?

One must assume that a Labour government will not want this. Possibly, the EMU option can be kept open without pegging the pound. But there will be considerable pressure on Labour to do so. The answer is to offset monetary ease with fiscal stringency. This surely is needed. Britain's budget deficit is forecast to fall to 3 per cent of GDP in 1997-98.

With the economy booming, though, most of the deficit will be structural. At this stage, it should be 1 to 2 per cent lower. But to suppose that Labour will raise taxes hastily or out speeding in its first year is implausible. So unless it puts its European aspirations on hold, Gordon Brown will probably mismanage the economy as badly as Lawson did before him.

The message for markets is that a pro-Europe Labour administration promises the possibility of another bonanza followed by bust. Fortunes could be made from strong sterling and a gilts convergence play.

Here's to a prosperous new year. **Brian Reading is a director of Lombard Street Research.**

Current takeover bids and mergers

Company	Value of bid (£m)	Value of target (£m)	Value of offer (£m)	Value of offer (£/share)	Value of offer (£/share)
APTA	177	169	174	13.4	Emblem Film
Abbeybank	777	176	181	83.4	Emblem Film
Barclay	136	153	108	86.94	Fairly Assets
Car	2004	2804	2846	508.06	SNV
Cherwell Water	170	165	154	20.43	Sea Valley Water
Clyde Petroleum	105	118	847.4	431.87	East Canada
Cook (Wm)	8695	3574	2404	58.84	Triplex Lloyd
East Midlands E	678	680	611	1,329m	Derwent Res
Grain Group	167	158	129	31.47	Headland Group
JB Group	150	140	100	185.05	Lloyd Thompson
King & Sherson	183	182	182	8.47	Gerrard & Hill
Lloyds Chemist	4865	508	504	802.40	UniChem
Lloyds Chemist	500	508	516	819.5	GEHE
London Electricity	700	682	683	1,230	Enagis
My Motor Town	190	188	167	47.85	Capital Radio
Newman Tonks	15245	154	129	183.45	FD
Northern Electric	650	641	620	630.75	GE Electric UK
RPI Managmt Ser	114	112	114	8.36	Hampson Citywide
Stacylax	6	6	10	1,926	Optical Express
Strong & Fisher	21	20	12	3,530	Stimulon
UK Estates	28	26	22	16.00	Advisory Group

Last week's interim results

Company	Year	Profit (£000)	Profit (£/share)	Dividend (£/share)
Abnott Asia	1995	13.36	(12.85)	(-)
Abnott Asia	1996	78.55	(8.84)	3.25
Cashel Mill Int	1995	277.4	(292)	(-)
Cashel Mill Int	1996	277.4	(292)	(-)
Castrol	1995	107	(101)	(-)
Castrol	1996	788	523	1.22
Chem	1995	4,750	(2,450)	(1.53)
Chem	1996	1,241	(1,221)	(-)

Last week's preliminary results

Company	Year	Profit (£000)	Profit (£/share)	Dividend (£/share)
Castrol	1995	11,190	(9,519)	2.5
Castrol	1996	22,478	92.8	2.4
Castrol	1997	2,200	2,000	1.1
Castrol	1998	14,200	(1,000)	(-)

Results due next week

Company	Year	Profit (£000)	Profit (£/share)	Dividend (£/share)
Castrol	1995	11,190	(9,519)	2.5
Castrol	1996	22,478	92.8	2.4
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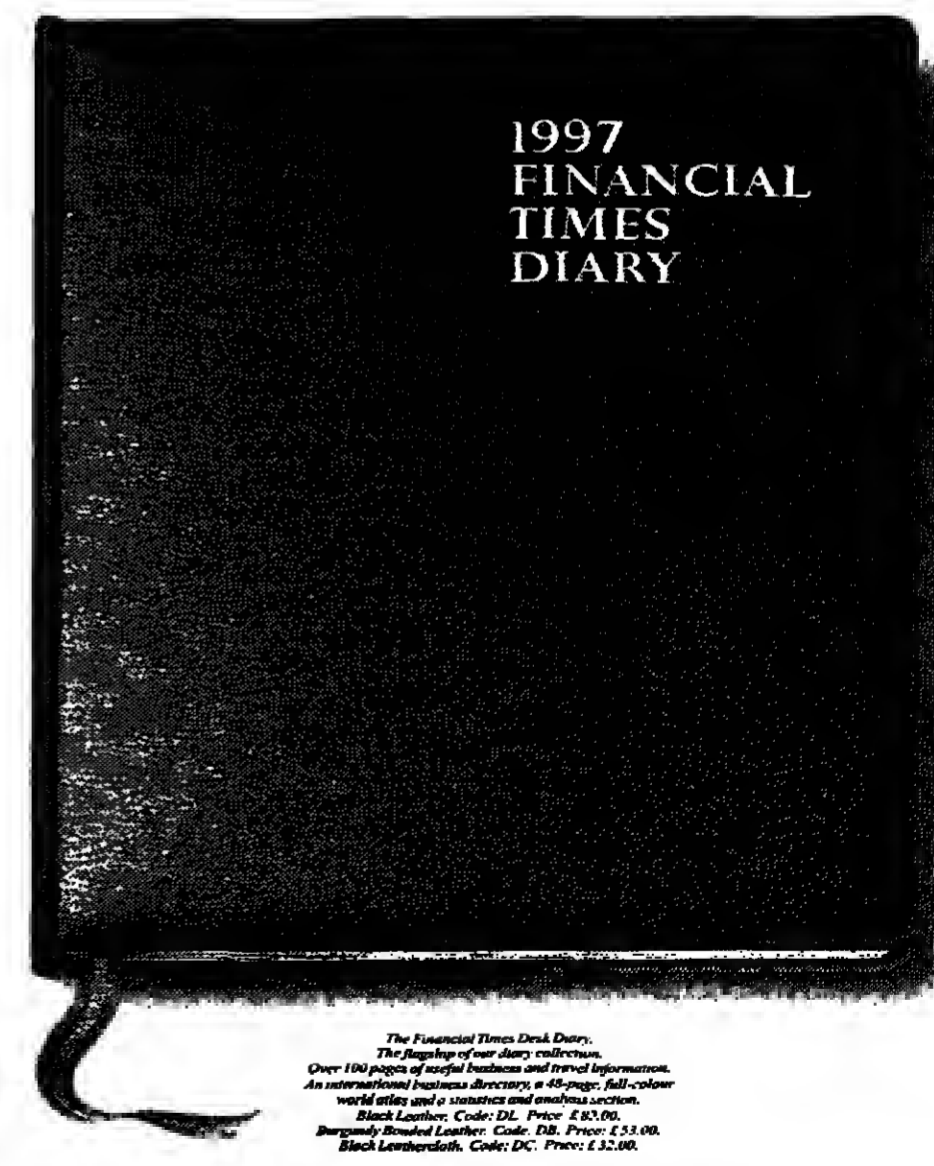
Directors' share dealings

Transactions in own companies December 23-29 1996

Company	Sector	Shares	Value (£000)	No of directors
SALES				
Bentley	RefG	12,000	15	1
British Biotech	Phrm	120,000	247	1
British Polythene	PP&P	145,425	1018	1
Chiroscience	Phrm	380,000	1018	1
EFT Group	Other	2,882,168	4088	4
Eurotherm	Elec	5,000	27	1
Fransly Hotel	LAH	125,000	116	1
Henderson Group	Other	5,000	57	1
Jervis	BCen	735,000	870	1
Kewell Systems	SSer	200,000	1040	1
London Merchant Sec	Prop	10,740	19	1
Pearson	Media	40,750	290	1
Pizza Express	Brew	150,000	730	1
Ryl Bank of Sc	Bank	35,511	199	1
Southern Newspaper	Media	2,900	17	1
Staffware Plc	SSer	15,000	39	2
Stepcoach Hodge	Tran	804,168	6589	3
Wetherspoon (JD)	Brew	35,000	413	1
BAA	Tran	91,150	438	1
Clyde Petroleum	Oil	72,324	59	3
Croda Intl	Chem	4,687	15	1
Euronomy Pbn	Media	4,405	61	1
Hogg Robinson	SSer	261,228	758	1
PizzaExpress Intl	Brew	1,010,000	5050	3
PowerScreen Intl	Eng	480,000	2822	2
Savern Trent	Wtr	58,350	389	1
PURCHASES				
Aberdeen Trust	Other	12,250	11	2
Anglesy Mining	Edin	400,000	20	1
Antonov	EngV	100,000	90	1
Aradon Intl	LAH	25,000	11	1
BBS Deeln Grp	Media	50,000	12	1

Dividends are shown net of tax and are adjusted for any intervening scrip issues. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. * 1st quarter, * 2nd quarter, * 3rd quarter. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of interim announcements.

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on Tuesday, February 4

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on Wednesday, February 19

The survey will cover foreign policy, the economy, banking & financial markets, privatisation, tourism, natural resources, etc.

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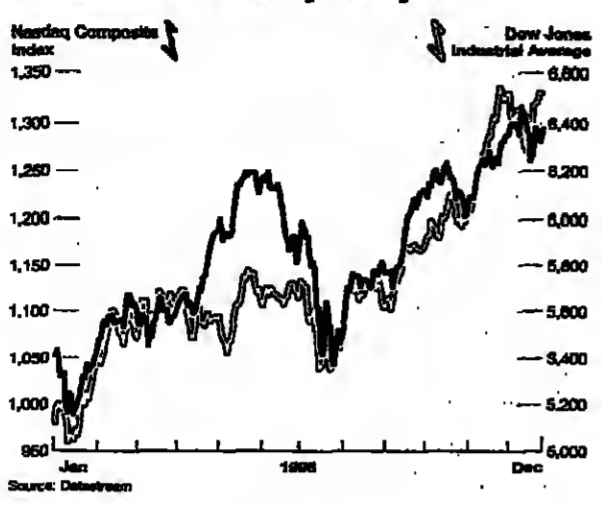
Wall Street

The bulls gallop on aimlessly

John Authers on how the Dow and the Nasdaq took different routes upwards

The bulls had two runs during 1996, and were still galloping, albeit rather aimlessly, as the year came to a close. Those two runs sandwiched a frightening correction in July, but the net result was that all the most widely consulted indicators were much stronger at the end of the year than at the beginning.

Same end: different journeys



By the end of last week, the last full week of trading in 1996, the Dow Jones Industrial Average, the venerable but still closely watched index of 30 blue-chip stocks, was up 26.7 per cent, and the younger more vigorous Nasdaq composite index up 22.5 per cent.

But it is misleading to look at the year as two snap-shots in January and December. As seen the Dow and the Nasdaq took very different routes on their way up. While technology stocks powered the market forward until July, with blue-chips lagging, it was the Dow constituents, in the main, which led the market away from the correction.

First came the technology-powered bull run, which took the S & P 500, the broadest indicator of market strength, up 9.3 per cent by mid-May. The Nasdaq fared much better, gaining 26.3 per cent by its high in the first week of June from its low point in January.

The Nasdaq, which took until October to register a new high, eventually participated to the full. Eyes were still turned anxiously towards Alan Greenspan, chairman of the Federal Reserve: would he raise interest rates to stop economic growth leading to higher prices? In the event, most indicators pointed to a slow-down in growth later in the year, and the Fed moved interest rates just once, cutting from 5.25 to 5 per cent at the end of January. But the market lived in fear of a tightening, with every statistic suggesting a robust economy triggering panic.

The Fed's decision to leave rates unchanged in September gave the market heart. Then the election result in November, which delivered the double whammy of a president not tied to an unrealistic tax cut, and a Congress ideologically wedded to budget cuts, was greeted with glee. The Dow, which had only just passed the 6000 milestone, swept up to 6500 in less than a month. By its high, it was 22.5 per cent up from its July trough: the Nasdaq was up 26.3 per cent up.

In December, the atmosphere has been more edgy, with all markets marked by greater volatility. Blue chips have left their highs. Mergers and acquisitions helped to keep the market bubbling. Consolidation hit defence and aerospace, never more dramatically than when Boeing and McDonnell Douglas finally agreed to merge earlier this month.

Long-distance telecommunications also looks profoundly different, with the year seeing the dismantling of AT & T, now that Lucent Technologies has been spun off, while MCI, its biggest competitor, agreed to be bought by British Telecom.

The greatest direct beneficiaries of all the activity were the mutual fund companies, which attracted record new cash from small investors.

The year's strongest performing sector was semi-conductors. Last week, the Standard & Poors sector was up 89.8 per cent for the year, led by Intel, which has become a mighty new stock market powerhouse. It developed a pleasant habit of needing to revise positive sales forecasts upwards, which did its stock no harm.

London

Sharpening up the old saws

Philip Coggan completes a year of two halves and looks at the stark differences

It would be nice to find some original phrase to describe the past year in the UK stock market. But sometimes one has to grab the bull by the horns and go for the cliché, it was a year of two halves.

The graph below is just one illustration of the tendency. It shows the performance of the FTSE Small-Cap index relative to the All-Share. In the first six months of the year, small companies were racing away, pipping their larger brethren by 11 per cent at one point. But in the second half, they lost all the ground they had gained.

A similar picture can be seen if you examine the performance of the All-Share or the FTSE 250 index relative to the FTSE 100. The smart money this year started off by buying smaller stocks and then from June switched to the leaders.

4 per cent, investors will have earned a total return of almost 15 per cent. That is an extremely healthy performance, especially when you consider that inflation is running at only 3.3 per cent.

The key to the year has been liquidity. For a start, there is plenty of money sloshing around the UK market. Institutional investors were cautious throughout the early months of the year and surveys showed them selling UK equities; meanwhile, companies were returning cash to investors.

The smart money started by buying smaller stocks and then switched to the leaders

in the form of dividends (regular and special), buy-backs and takeovers. Liquidity has also been healthy in the rest of the world. The US stock market wobbled in July, when it was feared that the Federal Reserve might be forced to raise interest rates. But signs of an economic slowdown emerged and the Fed was able to leave rates unchanged; Wall Street only surged to all-time highs.

In Europe, central banks were cutting rates in an attempt to revive continen-

tal economies. Growth was sluggish in many countries, as governments attempted to slash fiscal deficits in order to meet the criteria for European monetary union.

And in Japan, interest rates and bond yields stayed low as the economy remained in the doldrums; Japanese investors thus had every incentive to look for higher returns overseas.

Falling interest rates are usually good news for stock markets because corporate borrowing costs are cut and the relative attractions of holding cash are reduced.

Ironically, the UK is about the only country to break the trend. Kenneth Clarke, the chancellor, produced two quarters of a percentage point rate cuts in March and June. But, by the end of October, he was forced to bow to pressure from Eddie George, the governor of the Bank of England, and increase rates by a quarter point.

For a time, that seemed to have capped the UK market's progress, as Footsie slipped back from the high of 4,073.1 it recorded on October 21. But the traditional end of year rally has come to the index's rescue in the last few days.

Overall, conditions were favourable. Interest rates were low in nominal terms, economic growth was steady, corporate earnings and dividends were rising, and inflation, while edging up, was subdued.

The switchback performance of smaller companies is harder to explain. They had underperformed in 1995 so their strong run in the first half may have involved



All in the game: over the moon and sick as a platitude

an element of "catch-up". But the second half contained some trends which should have been favourable for the relative performance of smaller companies.

Domestic economic growth appeared to be accelerating, and smaller groups tend to be more focused on the UK.

Also, sterling rallied, which would normally hit the larger groups, which tend to export more and have overseas operations.

It may be that smaller companies are struggling to cope with an economy which shows modest growth and low inflation. In such circumstances, sales growth is in single digits, and above-average profits growth is dependent on managements' ability to cut costs. Bigger companies may have more expert managers, or may simply have more fat to cut.

Alternatively, the answer may simply be that, when the market started to rally in late July, those institutions with high cash holdings had to move quickly to increase their equity weightings, and logically chose the more liquid Footsie stocks.

How did the analysts who try to read the runes of the market, fare in 1996? In early January, the FT ran through the brokers' forecasts for Footsie's end-year level. This is a fairly arbitrary target - picking the level of one index one year in advance is a bit of a lottery - but any analyst who gets within a

couple of per cent or so will undoubtedly feel pleased.

Step forward Ian Harnett, once of SGST, now of NatWest, who started the year with a 4,000-4,250 range. Some might complain that such a wide range is an easy target to hit but Harnett was still the most bullish.

Almost as pleased must be Richard Jeffrey of Charterhouse and Mark Tinker, then of James Capel, now at UBS, who both predicted that Footsie would end the year at 4,000. Those forecasts were close enough to satisfy any reasonable client.

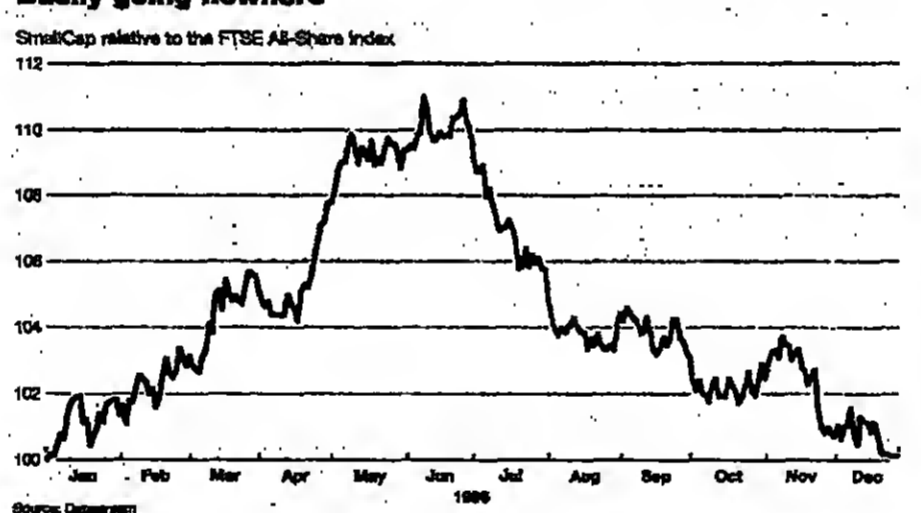
Most other analysts opted for the 3,700-3,900 range, predictions which looked set to come true by the middle of the year. As the market rallied, some were forced to move up their forecasts.

Finally, what of the O'Higgins system, oft mentioned in this column as a stock-picking method? This takes the 10 highest-yielding shares in the FT30 and, of those, picks the five with the lowest nominal share prices.

The system has not worked well recently and a portfolio picked on March 23, which contained market leaders such as BTR and Hanson, has performed abysmally. The same exercise in June has at least managed a small gain but, thanks again to Hanson, is trailing behind the All-Share.

Believers in the system (and Hanson shareholders) will be hoping for better times in 1997.

Bustily going nowhere



Dow Jones Ind Average table with columns for days (Monday-Friday) and values (e.g., 6488.02 + 4.82 for Monday).



Barry Riley

Old themes for a new year

Globalisation, not irrationality, is the underlying factor

In its dying days, the old year has been giving a reminder of the enduring strength of the forces that have driven the securities markets for a long time now. We can note the extreme strength and increasing overvaluation of Wall Street, but also the obstinate - and even alarming - weakness of Japanese equities.

A common strategic mistake about Wall Street by global fund managers - especially those based in London - has been to assume that departures from fair valuation will be swiftly corrected through a strong natural tendency for reversion to the mean.

But we need a forward-looking analysis of global capital flows rather than a backward-looking scale of standard valuation benchmarks. It is too easy to say that Wall Street is heading for a shakeout, but when? Market timing is a very risky game: the Horsemen of the Apocalypse may be sacked long before Armageddon finally arrives.

can be sustained, these policies will stoke up growth and inflation. A new commodities boom is looming, and we may see the beginnings of it in 1997. In the short run, though, the main effect is to generate in certain financial asset markets what the chairman of the US Federal Reserve Board Alan Greenspan earlier this month described as "irrational exuberance". But that the increasingly desperate efforts of the Bank of Japan to prevent a financial meltdown in Tokyo should blow up a bubble faraway on Wall Street reflects not irrationality but the impact of globalisation.

The disaster scenario is easy enough to spell out. A widening US trade gap could prompt pressure by the American government on the Japanese, Chinese and other far eastern exporting states to allow their currencies to rise against the dollar. In any case, the central banks of these countries may eventually choke on the dollar bonds they are piling up, which pose a huge currency risk to them. If they stop buying dollar securities, yields on US Treasury bonds will rise and the Wall Street bonanza will finally be over.

I am not sure that we are

very close to the end of this game yet. I do expect, however, that the dollar will become generally weaker in 1997. That will encourage US investors to look overseas. Wall Street's bull market should therefore cool and spill over into some of the emerging markets which have (aside from

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Hong Kong and one or two Latin American markets) often had an unexciting time in 1996. Continental Europe could again do well.

The real downside risk would arise from a "growth shock". Consensus economists are forecasting a continued benignly steady rate of growth in 1997 with the OECD last week, for instance, indicating industrialised world expansion of 2.4 per cent, just as expected for 1996.

But if the excess global liquidity should feed through into consumption there would be immediate concerns about rising interest rates and bond

yields. It would not take much to trigger a rise in dollar interest rates, though in depressed Continental Europe D-mark and French franc rates may not quite have troubled yet. The big decision here, however, would be an upwards move in Japanese short-term rates from their 15-month peg of 0.5 per cent. It is quite likely to happen later in 1997, but it does not look imminent.

A growth shock would certainly affect the UK. All the latest statistics - for retail spending, unemployment, house prices and money supply - show that the planned pre-election boom is under way. The Treasury forecasts economic growth of 3.5 per cent, and subjectively it feels like more, although the overall expansion rate is being held down by the sterling-related weakness of manufacturing which, typically, is the sacrificial victim of electoral priorities.

With ministers busy boasting about house price rises, general inflation will stay above the government's 2.5 per cent target in 1997 although sterling's strength may allow the underlying rate to drift down from the present 3.8 per cent in the early part of the year. A more worrying acceleration of inflation seems almost inevitable in 1998 and the prospect will make the Bank

of England increasingly agitated. One small interest rate rise is likely before the election, and two or three more afterwards.

Whether the impending overdose of the feelgood factor will come in time to save the Conservative government still seems doubtful. But the probability of a swing to Labour has already been partly priced into UK equities, which have underperformed stocks in both the US and the rest of Europe in 1996.

The big problem remains uncertainty about dividends, which would be threatened by company tax changes from a Labour chancellor of the exchequer. Meanwhile the valuation basis of the London stock market remains full, although by no means as excessive as that of Wall Street. On balance, share prices could still make progress if underlying company earnings continue to rise but this is a mature market and it will be a year for stockpickers rather than index-trackers.

Finally, on a bullish note, there is the outside chance of a move by Labour to embrace European economic and monetary union. That would bring a sharp rise in gilt-edged prices and send shares up too. But it is a long shot.

Offshore managed funds and UK managed funds are listed in Section One

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